

313073

JPRS-SEA-84-132

26 September 1984

Southeast Asia Report

19980727 199

DTIC QUALITY INSPECTED 2

DISTRIBUTION STATEMENT A

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26 September 1984

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AUSTRALIA

BRIEFS

NORTHWEST GAS PROJECT--The domestic phase of the Northwest gas project was officially opened today by the premier of Western Australia, Mr Burke. The opening ceremony at (Barrup) Peninsula near Karratha marks the culmination of more than 20 years exploration and construction work costing about \$2,500 million [Australian dollars]. Exploration on the Northwest Shelf began in 1963 and major gas discoveries were made about 11 years later. The gas pipeline has been operational for 3 weeks supplying gas to Perth and (Wagerup). It's estimated that another \$5,000 million will be spent on the export phase of the project. [Text] [BK041516 Melbourne Overseas Service in English 0830 GMT 4 Sep 84 BK]

NEW SHIPPING CHANNEL--A new shorter shipping channel to be opened next year through the Great Barrier Reef off the Queensland coast will significantly cut the cost of Queensland exports. The "Hydrographers Passage" is expected to cut \$7 million each year from the cost of shipping Queensland coal to world markets. Being about 226 nautical miles shorter than the existing route, the new route will reduce sailing time from coal ports in northern Queensland to Japan by about 17 hours each way. The government will provide more than \$4 million next financial year to complete the passage--that's about U.S.\$3.5 million. Another \$28 million will be spent on marine navigational aid for overseas and coastal shipping around Australia. [Text] [BK271605 Melbourne Overseas Service in English 0430 GMT 27 Aug 84 BK]

CSO: 4200/1045

INDONESIA

PRC'S LI XIANNIAN SENDS GREETINGS TO SUHARTO

BK110932 Jakarta International Service in English 0800 GMT 11 Sep 84

[Text] President of the PRC Li Xiannian sent warm greetings to President Suharto when he met Indonesian Supreme Advisory Council Chairman Panggabean in Bucharest, Romania, recently. Mr Panggabean was in the Romanian capital city attending the 40th anniversary of Romanian national day. He was named by the Indonesian Government to represent President Suharto to attend the Romanian national day celebration in Bucharest.

Speaking to newsmen in Jakarta yesterday after reporting to President Suharto, Mr Panggabean said that PRC President Li Xiannian asked him to send his greetings to the Indonesian head of state. Meanwhile, Mr Panggabean also said that he had sent President Suharto's greetings to the Romanian head of state, Ceaucescu. Mr Ceaucescu hoped that President Suharto would some day be able to visit Romania.

CSO: 4200/1042

EDITORIAL ASSESSES MILITARY TRAINING

Phnom Penh KANG TOAP PADEVAT in Cambodian 29 Mar 84 pp 1,7

[Text] Military training is an important task and also a most important necessity in the basic units because it has the power to heighten the combat strength of the armed forces and to assure combat readiness and victory in combat. Basic units in the front and rear echelons, especially along the border and the islands of the ocean, should always pay attention to training so that they can guarantee battlefield combat and good health which enhances combat spirit. As of now, there is a large number of basic units going into the training period in this new year -- according to conditions and the fixed schedule -- determined to achieve high quality training.

During 1983, the basic units have complied well with the circular of the Ministry of Defense and the pace of training has greatly improved in all fields. And the basic units have made this training into combat readiness. Moreover, each unit has overcome difficulties in training pursuant to clear direction and geographical conditions to guarantee army life, administer well the army units and having the training areas and materiel to be used correctly in training. The instructors are of high quality conscience and discipline has advanced well. However, in 1983, a number of basic units were not strongly paying attention to training because the basic unit chiefs has not immersed themselves deeply in the work of combat training. Some units have organized things to have an image showing that they are busy with many chores. Some of them are involved with eliminating the enemy or their training is not conducted pursuant to the schedule.

Coming into 1984, all the basic units of the armed forces, must orient their training according to new tactics, techniques and strategy as companies, batallions, regiments etc. Special attention must be paid to the study of each experience relating past fighting. In this training, each of us should cooperate and act to heighten the fighting ability and succeed in all combat tasks and be ready to fight directly. Acting in this vein, all basic unit chiefs must recognize the value of training given to cadres and combatants in the unit, arrange to have the field and training materials kept in good shape, assign instructors of high ability, set up a clear schedule and firmly grasp the number of personnel during training because this is a factor which cannot be ignored in the training.

From the experience in the past year, it shows that if we want to achieve high quality training, the head of the basic unit must dedicate himself and directly lead in planning, have ways to cope with unforeseen situations that create obstacles in training. If we want to improve training, the command element or the head of the unit must have the ability to organize combat command, ability, and high technical training. To accomplish this goal is to reflect the slogan "it is better to have sweat on the training field than to have blood on the battle field."

Every basic unit in the armed forces has done a good job in training and learned lessons from the experiences of 1983. Our army will definitely achieve great victories over the enemy.

7429

CSO: 4212/53

EDITORIAL URGES RESISTANCE TO ENEMY PSYCHOLOGICAL WARFARE

Phnom Penh PHNOM PENH in Cambodian 23 Mar 84 pp 1,3

[Text] The strong forces of the Kampuchean United Front for National Salvation (presently the United Front for National Defense and Construction) with the help of Vietnamese army volunteers, have crushed the race exterminators of Pol Pot, Ieng Sary, Khieu Samphan's regime pushing them to escape into Thailand for shelter under the dark and dirty plans of the Beijing expansionists and the American imperialists.

Eventhough shamefully and seriously defeated, the Pol Pot clique still uses various ways and means to return to Kampuchea in order to control it again. During these past 5 years, the real condition of the Revolutionary Kampuchea is that our people are living in peace in their various native villages uniting with their relatives throughout the People's Republic of Kampuchea. Meanwhile the same real conditions apparently show that the enemies have not any possibility of occupying even a single piece of land. This reflects their weakness.

Recently in their activities a small group of bandits burned people's houses and then killed them. The market places were set fire. Food and rice were also seized. The enemies proclaim this thunderously in foreign countries aiming at a psychological war and misleading our people that they are strong and capable of capturing this place and that region. But the real elements of psychological war are not strange to us. They are showing quite clearly their self-evident violent acts known from the previous time till now. Our experience during the past 5 years have shown all tricks of the enemies' psychological war and their hateful atrocities which we have observed and classified as the following:

1-The enemies always spread false news about the real conditions in Kampuchea aiming at destabilizing among our people by dissiminating fear that they already have taken such and such places, or that they are going to take over Phnom Penh on such and such date, and pursuant to their activities, their biggest target would be Phnom Penh.

2-Their propaganda aims at dividing the unity between Kampuchea and Vietnam by using cheap tricks such as [saying] Vietnam invades Kampuchea and Vietnam poisons the people of Kampuchea, etc... But in reality, the presence of

Vietnam's army of volunteers is agreed upon in a treaty of friendship, peace and co-operation in every area between the government of the People's Republic of Kampuchea and the government of Socialist Republic of Vietnam; and the presence of Vietnam's voluntary army is at the request of Kampuchean people for the cause of defense and building motherland of Kampuchea.

3-They have made exaggerated propaganda campaigns to heighten the influence of Sihanouk, Pol Pot and Son Sann in the Coalition Government of "Democratic Kampuchea," the essence of which is the same as Pol Pot's regime depending entirely on the defeated Pol Pot army.

These are some of the tricks the enemies use for psychological war against our revolutionary Kampuchea demonstrating their defeat and weakness which our people clearly acknowledge. The activities by a small gang of robbers to frighten our people are major defeats on political fronts which show that the enemies have no where to fight their psychological warfare schemes. The creation of a story of Vietnam having used poisons in 1981, the unpopular beliefs of an emerging bull, a fig tree having emerged, a toad emerging in the palace wearing gourd skin and the fish fighting. Our people clearly destroyed these schemes based on scientific analysis and promptly revealed the faces of the enemies. Every trick as mentioned above has been found out and the people of Phnom Penh grasped the lessons. Our people clearly understand that this act is entirely deceitful. We all see that Phnom Penh has never been captured. Instead the city is on the right path to progress based on a strong foundation and its people are happy with our new regime. The recording in the scripture of Lord Preah Kamchay on emerging bull story does not make people's life change any more than changing people's lives by the labour of our own workers and our own farmers. Our farmlands have increased 113.4 percent, and our industrial products have increased 123.96 percent. This is true. Besides, our people have increased awareness to guard the revolution against enemies as has been said by our General Secretary Heng Samrin: "build up unity of our entire party, entire army and entire people by increasing revolutionary awareness, giving best efforts and awaiting always to crush the Pol Pot bandit remnants who from Thailand to create chaos among our people.

In order to crush the enemies' psychological war, our people must do the following:

1- We must see clearly our revolutionary strength which is ever stronger. For the enemies, they are weak, trying to create the phantom government of Democratic Kampuchea without the occupation of territory, a capital and people. They can only rig their propaganda tricks and are unable to seize any land. Moreover, our enemies are only jungle robbers who act very violently in order to rob and burn our people's property. Thus they cannot escape the punishment and complete extermination by our people.

2- Pay attention to resisting the enemies' psychological war, nobody must listen to the enemies' propaganda and radio broadcasts which have no meaning

and substance. They are nothing other than ways to mislead, destroy and frighten us with their poisonous tricks.

3- We must be alert when we hear any new information even that which we hear from our relatives. We must inquire and analyze it to see if it is based on clear evidence. Whether that information is useful for our revolution or that information is only enemy psychological war, we have to apply strongly and promptly the 3 yes 1 no effort. We must be able to stop the spread of enemy psychological war.

Our people have received clear experiences from the past 5 years and they must make those experiences become a movement crushing enemy psychological war.

7429

CSO: 4212/53

LAOS

BRIEFS

NEW PROVINCES--The Lao People's Democratic Republic recently decided on the establishment of the new province of Se Kong consisting of the three districts of Kaleum, Laman and Dakcheung which formerly were in eastern Saravane Province. Earlier Laos had established two other new provinces, Bo Keo in northwestern Laos and Bolikhamsai in central Laos. At present Laos consists of 17 provinces and central level municipalities. [Text] [Hanoi HANOI MOI in English 12 Aug 84 p 4]

CSO: 4209/460

OPPOSITION PARTY LEADERS 'LAUGH OFF' COMMUNIST LINK ALLEGATIONS

Quezon City ANG PAHAYAGANG MALAYA in English 11 Aug 84 pp 1, 2

[Text] Leaders of two big opposition groups laughed off the other day charges of the military that their organizations are included in the so-called "political bloc" of the outlawed Communist Party of the Philippines (CPP).

MPs Aquilino Pimentel, Jr (Cagayan de Oro City), chairman of the Pilipino Democratic Party-Lakas ng Bayan (PDI-Laban), and Homobono Adaza (Misamis Oriental), president of the Mindanao Alliance (MA), said the allegations are aimed at terrifying the leadership and membership of our groups."

Pimentel said "the accusation of the military is another step for another crackdown among legitimate political dissenters." Adaza called it "terrible, unfair and unkind."

Both Adaza and Pimentel stressed that their groups are independent.

The military claimed having seized a document which purportedly states that the MA, PDP-Laban, Unido and Social Democratic Party (SDP) are members of the "political bloc" of the CPP.

Meanwhile, MPs Natalio M. Beltran, Jr (Unido-Romblon) and Alberto G. Romulo (Unido-Quezon City) asked the Batasan through Parliamentary Bill No 453 to abolish the P375 travel tax for overseas contract workers on the ground that it was an "added burden" to the overseas employees.

"To squeeze additional funds from these people to fill the government coffers is not only unkind but a disincentive as well," they said.

They added that if these employees are not allowed to leave the country and secure employment for failure to pay the tax, it would deprive the country of badly needed foreign exchange.

Budget Minister Manuel Alba, meantime, said that the country may default on its foreign loans if the interest rates continue to rise, if the United States takes a rigid protectionist stance and if oil prices continue to increase.

Alba also disclosed that the country has an agreement with socialist countries whereby they would extend assistance to the country in the event the International Monetary Fund (IMF) withholds the standby credit being sought by the court.

Alba said, however, that the country had said no when sounded off by some Latin countries on the possibility of its joining an association or cartel among Third World countries heavily indebted to the IMF.

CSO: 4200/1010

PHILIPPINES

MARCOS JR AIDES, ILOCOS MAYORS FEUDING

Quezon City ANG PAHAYAGANG MALAYA in English 10 Aug 84 pp 1, 2

[Text] A possible break-up of political unity in Ilocos Norte, the President's home province, looms as some 21 mayors denounced special assistants handpicked by governor Ferdinand "Bongbong" Marcos, Jr for meddling too much in municipal and provincial affairs.

The mayors, all tested Marcos loyalists, said in a recent dialogue with Ilocos Norte provincial officials and Batasan representatives that the young Marcos' special consultants are causing "undue delays" in the implementation of government projects.

Under fire are Jonathan de la Cruz, head of the Middle East labor center in Jeddah and former director of the Bureau of Employment Services; Eric Ines, special projects director of the Ministry of Local Government and former high-ranking Kabataang Barangay official; Angelito de Dios, a finance man from the National Housing Authority; and Avencho Ducayen, an official of the Office of Media Affairs detailed in Ilocos Norte as public relations officer.

De la Cruz, Ines, de Dios, and Ducayen are said to have been Bongbong's personal choices to serve as his special assistants.

The mayors said that during the first months of Bongbong's administration, when the special assistants were not yet hired, there were no delays in the implementation of government projects. Work on vital community projects was derailed when the technocrats came in, they added.

Among the mayors who aired grievances against Bongbong's special assistants were Rafael Benemerito of Pagudpud, Rodolfo Garcia of Burgos, Elmer Layaoen of Bangui, Cirilo Quilala of Currimao, Conrado Llaguno of Paoay, Alipio Flores of Sarrat, Benny Madamba of San Nicolas, and Edmund Calaycay of Badoc.

During the dialogue, member of parliament Antonio V. Raquiza (KBL-Ilocos Norte) said "we must see to it that the technocrats do not interfere too much."

The governor (Bongbong) might be getting the wrong advice from his special assistants," Raquiza added. Of the four special assistants, only Ines attended the dialogue. De la Cruz was reportedly out of the country while De Dios and Ducayen were attending to other commitments.

According to reports, papers pertaining to municipal and provincial infrastructure, waterworks, highways, and other community projects are first processed the special assistants before they are submitted to the governor for approval.

The mayors complained that government projects get delayed because the processing of supporting documents moves at a snail's pace at the hands of the special assistants. Vouchers for the projects are signed by the treasurer's office only after the completion of supporting papers.

Ilocos Norte political observers said that the open hostility displayed by the mayors against Bongbong's special assistants may force the governor to take sides. While the governor may need the services and expertise of his assistants, he may consider the mayors more important allies because they exert great vote-getting influence in their respective municipalities.

CSO: 4200/1010

ECONOMIC PROBLEMS ADVERSELY AFFECT BANKING SYSTEM

Manila BUSINESS DAY Banking Supplement in English 24 Aug 84 pp 21-27

[Text]

"The problem is not that of the banking system but that of the economy, which is illiquid. The problem we have with the economy has translated into the banking system which remains basically sound, however, though suffering from strains and stresses."

This was how bankers interviewed by *Business Day* described the banking system, which is still smarting from recent setbacks that have shaken the faith and confidence of the public in not a few banks.

Relevant question

Jesus Estanislao, Associated Bank president, said the relevant question is not whether the banking system is weak or not, but whether the system can adapt and respond to the stresses imposed on it by the environment. He added that the problems of liquidity and apparent lack of discipline in the financial system emanated elsewhere, not from the banking system, "which simply responds to what is going on in the economy."

Echoing Estanislao's views, Javier Quintos of Asian Savings Bank (ASB) said the banking system is beset by problems which are not of its own doing. "What is weak," he stressed, "is individual institutions suffering from a crisis in confidence, institutions

perceived to be weak and vulnerable to uncertainties, against institutions that are stable and run by people who know what they are doing."

The banking system is in no danger of collapse, but is in fact fundamentally sound, Quintos said, as he debunked claims of other bankers that the system is in chaos. "It's a question of perspective. Some bankers may be focusing their attention on banks that are in serious trouble, not on banks that are doing well and in fact making record profits, Quintos said, even as he likened the situation to media "seeing only the bank failures, which are sensational news, and ignoring bank successes, which are hohum."

Most banks sound

Deploring what he called unbalanced reporting by media of banking news, Filomeno Francisco, ASB's vice-president for branches, said: "They (media) seem to tell that all banks are questionable, that the whole banking industry is suffering, when in fact only a few banks are in trouble. What is called for at this point in time is to see the other side — that of banks which are doing so well, banks which are making the system work in spite of all the difficulties."

ASB has made great strides since being taken over by the Soriano and Gocongwei groups last January. When the new management took over, ASB practically had no reserve assets and had outstanding loans of P100 million comprising overdrafts and emergency loans with the CB. A housecleaning spanning three months put everything in order. In no time at all, the bank, backed by the resources of two very successful conglomerates, had paid back all advances from the Central Bank.

Like other thrift banks, ASB is concerned about the moves the CB has taken to reduce liquidity. Quintos said that with the issuance by the CB of high-yield bills, thrift banks are losing some big depositors who are shifting their funds to these bills.

Record profits

Despite these problems, there are a number of banks making record profits these past few months, according to the ASB officials. Francisco attributed this to the high interest rates — 36%-40% — against the cost of borrowing which remained the same. Like foreign exchange, the loan portfolio is a major source of income. And if banks can widen the gap between their lending and their cost of borrowing, they can overcome the loss of foreign exchange, Quintos said.

Loan management

The banks' ability to monitor and control the loans they have lent out will be put to a test this year and next. Francisco said loan management is critical for a bank during these difficult times

where more and more borrowers can't pay back their loans on time.

Also as a result of the harsh economic environment, banks will be hard put to borrow because of the low, continuously shrinking supply of funds of the banking system. With the CB bidding for funds thru the CB bills, banks trying to generate funds to finance their operations, and the government floating bonds and securities, Francisco said, the climate for fund generation has become competitive.

Inflation

What would ordinarily cause a very serious weakness in the commercial banking system, from whose standpoint Estanislao spoke, is the very high rate of inflation. Because of the very high rate of inflation, Estanislao said, commercial banks can not get as many depositors as under normal conditions because people tend to put their resources in commodities, knowing that prices of these commodities keep on rising; or speculate in the foreign exchange market.

The supply of funds to the commercial banking system is much less than the demand for funds for the system, whose total deposits during the first semester, according to Estanislao, increased by only 4.4%. The AB president, who is also an economist, said the demands of the commercial banking system are dramatic because "everybody wants to borrow, take advantage of the inflation that is going on, and hedge against it."

The slow pace of deposit growth put the pressure on commercial banks to get more funds thru less traditional bank borrowings.

Estanislao said money banks were in dire need of tapping even such an expensive source of funds as the interbank market, which explains why borrowings of commercial banks during the first semester increased by 20.1%.

Since fund sources were relatively dry, commercial banks had to be selective in their lending. Loan windows were closed except to prime and preferred clients who even then had to bear the very high interest rates as banks had to raise their spreads to offset cuts in loan volume.

Since very few borrowers could afford the high loan rates, the loan portfolio of commercial banks increased by only 2.7% during the semester.

"If anyone is looking for more evidence about the deterioration of the economy in real terms," Estanislao said, "he need not look farther than this 2.7% increase in lending by commercial banks at a time when inflation was breaching the 50% line!"

Government Moves

At present there is a lot of talk in banking circles concerning moves the government might take to strengthen the banking system.

Bankers interviewed by Business Day said the government wants to strengthen the system before pursuing liquidity targets it promised the International Monetary Fund.

Even before the Banco Filipino crisis started to emerge on July 13--when CB Governor Jose B. Fernandez Jr allegedly told the bank to either sell out or merge with another bank if it wanted CB help--overdrafts of banks had been pushing up the reserve money (the new money the CB releases, which determines liquidity levels) way beyond the schedule the CB told the IMF it would follow for the reduction in reserve money. CB sources said the schedule called for a reduction in reserve money to between P26 billion and P27 billion by the end of July. As of July 16, because of banks' overdrafts, the reserve money amounted to P28.2 billion.

Because of the inability of the CB to control liquidity, government negotiators ended talks with an IMF team last month without getting nearer toward approval of IMF's \$650 million rescue loan to the Philippines.

IMF Findings

CB sources said one of the major findings of the IMF teams sent here since the start of the year was that CB efforts to keep the financial system afloat whenever a crisis in confidence erupted had been one of the reasons for the excess liquidity from 1981 to the first quarter of 1984.

The IMF had traced the start of the growth of liquidity in the country to the rescue operation in early 1981 following the Dewey Dee caper. It noted that after the rescue operation, no efforts were made by monetary authorities to recover the excess funds released into the system. Similarly, CB emergency lendings amounting to P2 billion to beleaguered banks and other financial institutions in the last quarter of 1983 pushed up liquidity levels which were even worsened by the massive government borrowings from the CB in April.

Competition from CB

The IMF now will demand assurances that the emergency lendings to banks to keep them afloat will be quickly reversed, the sources said. What worries some CB officials is that the rise in money supply due to CB releases and depositors' withdrawals will be compounded by the redemption of the nearly P5 billion of the CB bills, the bulk of which mature in two to three months. The CB bills, the main instrument of the CB in cutting liquidity, have been the butt of complaints of private bankers, who charge that the high-interest bills are competing with private banks for the people's money.

A member of the Bankers Association of the Philippines (BAP) suggested that the bills, which pay interest of up to 33%, may have caused the bank runs in some instances, which are an alarming development with serious consequences to the liquidity, stability and profitability of the private commercial banking system.

The BAP said the bills were also discouraging private banks from lending money. It is much easier and less costly for private banks to invest in treasury bills and other CB bills than to engage in regular lending operations, bankers said.

Some private bankers, citing an element of uncertainty over the use of treasury bills as a mechanism to reduce liquidity, saw a significant increase in interest rates offered to cash-laden corporate accounts.

A number of banks were reported to have raised interest rates on time deposits to as high as 29% to approximate the yields of the T-bills. Previous T-bills that were sold directly by the CB offered yields ranging from 30% to 35%.

Mergers

To most bankers, strengthening the banking system means having bigger banks which can be achieved by merging or consolidating the existing ones. They thus expect government to pressure banks to merge

or consolidate, or force them to merge or consolidate thru legislation.

All the factors that can force government to take either of these steps are already present. With most borrowers financially weak and banks cautious in lending, the banking system is no longer performing its primary function — funding the economy's growth, some bankers said.

Mergers and consolidations, one banking source said, would consummate an IMF plan to raise the paid-in capital of local commercial banks to P1 billion.

The objective behind the plan is to reduce the number of local commercial banks to allow the entry into the system of foreign banks, the source said. There are 30 local commercial banks including 12 with expanded commercial banking license (unibanks).

The source said the IMF plan is part of the overall program devised by the institution for the economic recovery of the Philippines which is largely dependent on the entry of foreign capital and investments.

At least three unibanks are holding separate talks with other commercial banks, while two commercial banks — Traders Royal Bank and Republic Planters Bank — are finalizing preparations for a merger. A merger will definitely save RPB from the difficulties which have been draining the bank of its resources.

The Central Bank is also reviewing a plan to merge three commercial banks owned by the government. These are Associated Bank, Pilipinas Bank, and Union Bank of the Philippines which would probably be the surviving institution in the event of a merger.

The Manila Banking Corporation is negotiating for the acquisition of two medium-sized commercial banks, while the Philippine Commercial and International Bank and the United Coconut Planters Bank are also holding talks with some commercial banks, particularly those experiencing severe liquidity problems.

Not a few bankers welcomed the proposal for the merger of banks to strengthen the commercial banking system. One banker urged that all government-controlled banks be merged as a step to rationalize the banking system. His call for merger of government-controlled banks was apparently directed at private commercial banks which ended up being owned by government financial institutions after they were bailed out.

These are the Associated Bank which is now owned by the Develop-

ment Bank of the Philippines, the International Corporate Bank now under the National Development Company, Union Bank of the Philippines, now jointly owned by the Social Security System and the Land Bank of the Philippines, the Commercial Bank of Manila, now owned by the Government Service Insurance System, and Pilipinas Bank, now owned by the Philippine National Bank.

The fate of these banks is now the subject of a study being made by the Central Bank committee on financial restructuring in line with the overall program to review the banking system.

Funding pool

Last July 3 the banks and the CB signed an agreement creating the "liquidity resource fund" or liquidity pool, an emergency-funding pool for needy commercial banks.

Creation of the pool was inspired by the CB itself. Strained by release of huge loans to banks, the CB had asked banks to help one another by lending to cash-short banks instead of asking for CB advances. When financial difficulties struck a couple of banks, partly as a result of CB fund tightening measures, some banks issued checks amounting to more than their checking deposits with the CB, incurring overdrafts. These amounts in effect became loans from the CB to the banks, and therefore meant an increase in total available

funding that the CB wanted to reduce. The liquidity pool was supposed to provide funding to banks with huge overdrafts with the CB.

As of July 25, the pool had total subscriptions of P403 million, P97 million shy of the target. The biggest contributor was the Philippine National Bank with a contribution of P50 million.

Although it had no apparent use for it, the Manila branch of Bank of America (BA) joined the pool, contributing P10 million. BA is one of four foreign banks operating in the Philippines. The three others are Citibank, Hongkong and Shanghai Bank, and Chartered Bank.

Observers said BA had paved the entry into the pool of these banks which, like BA, benefited from the mild runs that hit their local counterparts.

At the time of the signing of the agreement, panic caused by rumors hit Royal Savings Bank in Cavite which eventually closed. The panic also hit several other rural banks and thrift banks in the province, which coughed up deposits and consequently weakened considerably. A big commercial bank lent to those banks, letting the CB play its role of lender of last resort.

The panic has since subsided, with the rural banks now paying back the loans they obtained from the commercial bank.

Banking institutions elsewhere were not as lucky. A week after the signing of the agreement

creating the liquidity pool, the Monetary Board ordered the closure of five financial institutions, declaring them insolvent.

Ordered closed were: Industrial Savings and Loan Association; International Savings and Loan Bank; Katipunan Rural Bank (Novaliches, Quezon City), Inc.; the Rural Bank of Bislig (Surigao del Sur), Inc.; and Thrift Savings and Loan Association, Inc.

Last week, four more banks were ordered closed by the CB, bringing to 24 the number of banks that have stopped operations since May this year.

Tax payments locked up

The closure of the four — Development Bank of Rizal, First Ideal Savings Bank, Pioneer Savings Bank, and the Federated Savings Bank — dimmed the chances of the government to recover about P211 million in tax payments the banks received but failed to remit. About P500 million in deposits was believed locked up in the banks.

The rash of bank closures prompted the filing of resolutions in the Batasang Pambansa calling for creation of special committees to inquire

into the financial condition of government-owned or -controlled financial institutions and to investigate the recent declaration of a "holiday" by Banco Filipino, and the closure of several thrift and savings banks.

Member of Parliament Eva Estrada Kalaw, who filed the resolutions, said the Development Bank of the Philippines, Philippine National Bank, Land Bank of the Philippines, Philippine Veterans Bank, Philippine Export and Foreign Loan Guarantee Corp., the Social Security System and the Government Service Insurance System have not submitted financial reports to the Batasan, using their charters as excuse.

On the case of Banco Filipino, Kalaw raised questions on the independence of the CB from the Office of the President, and asked why the President's intercession was needed before the CB could act on the case. She further asked why the CB had to wait for so long before it appointed a conservator for the bank, and why the CB did not take remedial measures earlier to avert the bank's suspension of operations.

The closure of banking institutions was only one of a series of blows the banking system has

taken lately. Compounding the woes of banks is the recent CB decision to scrap the bank spread on dollar sales to the CB, which means an annual loss of at least P720 million to the system.

The CB announced last month that dollar transactions between itself and the banks would use the official peso-dollar guiding rate, currently at P18 per dollar, and that the one-percentage-point it paid to banks on top of the guiding rate would be eliminated.

Bankers want the CB to restore the one-percentage-point spread, saying that with the expected downturn in bank earnings this year and next, profits from bank dollar sales to the CB can save some banks from going under.

When the CB was requiring banks to surrender all their dollar receipts to the CB, the estimated monthly turnover was \$400 million. At present, when banks are allowed to keep 20% of their dollar receipts for lending to importers, the banking system sells around \$320 million to the CB. The elimination of the one-percentage-point spread means P60 million a month will be foregone by the banking system. This translates to P720 million a year.

Net income

Last year the commercial banks recorded P2.16 billion in combined net income, up 34% from P1.62 billion in 1982. Bankers attributed the phenomenal rise in the system's profit last year to the two devaluations that benefited banks with dollar holdings.

Bankers do not expect a similar windfall in their exchange rate profits this year because the CB took all their dollars when the foreign exchange crisis started. Last June's devaluation produced no exchange rate profits for banks because they had no dollars when it occurred.

Banks incurred no additional expenses to earn the one-percentage-point spread in CB pricing for dollars. Although banks no longer earn the spread, they still employ the same number of personnel in their foreign exchange units, among other costs, according to one banker.

PHILIPPINES

MALAYA COLUMNIST SUPPORTS WARNINGS ON CENTRAL LUZON NPA THREAT

Quezon City ANG PAHAYAGANG MALAYA in English 11 Aug 84 p 5

[Article by Alfonso P. Policarpio in "The Business of Truth" column:
"NPAs a Real Threat in C. Luzon?"]

[Text] What kalokohan, what kagaguhan, you may say, has been Brig Gen Jose P. Magno's warning that the NPAs may become a menace once more in Central Luzon. Central Luzon is so peaceful, you may say. And you may interject: No, that can't be true!

But then, you may remember, General Magno is a respected officer. He was so respected as commander, Central Command, that the people of Central Mindanao refused to let him go when Gen Fabian C. Ver, armed forces chief of Staff, recommended him to be transferred to Central Luzon—as commander, Regional Unified Commander 3.

Now what was General Magno talking about?

Was he talking idly? Or could he be speaking with knowledge not known to common you and us?

Here's what he said, speaking before Bataan's civil officials: RUC 3 has captured 11 Communist Party/New People's Army documents, they reveal the CPP/NPA's "main objective" is still "to overthrow the government through armed struggle"; one of the documents, from the CPP central committee, dated Feb 17, directs the CPP provincial committees in Central Luzon to intensify offensives against government troops, including staging bombings against vital government installations. The CPP/NPA, General Magno said, is "getting stronger" with the formation of barangay liaison committees, barangay revolutionary committees and armed provincial committees, particularly in the remote areas of Central Luzon. Have no illusions, he said.

He didn't say much, but what he said told us a lot: Central Luzon, once the hot bed of the communist Huks, later of the communist HMBs, still later of the communist NPAs, could join the rest of the country as an area infected by the NPAs. It may not be right now, but it could be!

This, for us, is alarming. For, to date, we go home to Tarlac and Nueva Ecija at midnight and do not feel any fear. One night, during the campaign for the May 14 election, we were in Guimba, still later in the night in Munoz, and nothing happened. But, on the basis of what General Magno says, we may no longer be able to do this.

Now, what is the real peace and order situation in Central Luzon? Do we really have to be alarmed? Is there real cause to fear?

We sleuthed, we snooped, and this is what we found: from Jan 1 to Aug 4 there were 21 "encounters" in Central Luzon, 18 of them government-"initiated" and three "harassment attacks" by the NPAs; in these encounters 22 NPAs and 11 soldiers/policemen were killed.

The encounters have been in Aurora, 3; Bataan, 2; Bulacan, 2; Pampanga, 3; Zambales, 1; Nueva Ecija, 10. Significantly, in Tarlac, the birthplace of the CPP/NPA, there has been no encounter. Tarlac, the once-upon-a-time romping ground of Commanders Alibasbas, Dante and Sumulong, an informant told us, "is so peaceful you won't believe it." "It really is," he stressed.

Nueva Ecija is another thing, however. Here, half the encounters for 1984 have occurred. The reason, we were told, is: there are so many mountains in Nueva Ecija that the NPAs easily find haven in the province. No, not Mount Arayat anymore, we were told, but the peaks and fastnesses of the Sierra Madre and the Cordilleras in eastern Nueva Ecija.

General Magno didn't say it, but RUC 3 has an estimate that the NPAs have grown from "squad guerrillas"--seven to nine men--to company-size formations, although, at the moment, they haven't carried out operations like occupying municipalities and raiding PC, Army, Air Force and Navy headquarters. The thing is, the report says, they can do it--if they want to.

In truth, the report adds, the "STs," or subversive terrorists (it doesn't call them NPAs anymore), are planning to wage big combat operations. They will likely raid some military establishment or government installation "in the near future," it says.

We, of course, fail to believe the report. We still go home to Tarlac and Nueva Ecija at midnight.

But, we asked, how does the AFP estimate the NPA strength in Central Luzon? Our informant said: some 900 "ST" regulars, with a mass base of 70,000; they have some 700 firearms. This, by any measure, is strong, considering Defense Minister Juan Ponce Enrile has said the NPAs total no more than 5,000 armed troops.

Well, we go back to the armed forces' tally: there have been 21 encounters in the past seven months; 21 encounters divided by seven months is only three encounters a month, of these, 18 are government-"initiated," which means the NPAs, if actually they are that strong, have been electing not to fight the military in Central Luzon.

So, we think, raids like the NPAs do in Bicol, Samar and Mindanao may be "near," as the report we read said, but not yet that near in coming. We hope so, anyway.

There is, however, one key factor: the estimate was given by General Magno and, as people who know him tell, he is not given to concocting affairs or things.

CSO: 4200/1010

REPORT SAYS MARCOS DISPENSED FOREIGN LOANS TO 'CRONIES'

Melbourne THE AGE in English 28 Aug 84 pp 1, 6

[Article by Michael Richardson]

[Text]

MANILA, 27 Aug. — A large part of the \$US26 billion (\$30.5 billion) in foreign loans to the Philippines has been wasted, much of it on Government projects or for private ventures guaranteed by the administration of President Marcos.

This is one of the findings of an inquiry by a group of leading university economists into the causes of the Philippines' financial and economic crisis.

Their 171-page report, which draws heavily on official statistics, is believed to be the first independent, in-depth analysis of what went wrong and why.

It says a substantial part of the money borrowed abroad found its way into the hands of the so-called "cronies", privileged enterprises run or controlled by a select circle of people with close ties to the Government.

Critics of the Government, including two businessmen excluded from favored treatment, say the "cronies" are mainly friends of the President or his wife, Imelda, who is a Cabinet member. The critics say that most "cronies" have few or no qualifications for handling big business enterprises.

The report says that since Mr Marcos came to power for a second term in 1969 there has been a huge expansion in Government spending, an explosive growth in the budget deficit and unprecedented enlargement of the role of the public sector in banking, industry, agriculture and other key sectors of the economy.

"... The main characteristic distinguishing the Marcos years from other periods of our economic history has been the trend towards the concentration of power in the hands of the Government, and the use of governmental functions to dispense economic privileges to some small factions in the private sector," the report says.

The report was produced and circulated recently by 10 economists at the University of the Philippines, the country's top tertiary institution. A copy was made available to 'The Age'. The authors said the aim of the study was to promote better public understanding of the causes of the country's economic malaise and informed debate about how to embark on recovery.

Doubts about the stability of the Philippines, and the flight of hundreds of millions of dollars abroad following the assassination of opposition leader Benigno Aquino a year ago, reduced foreign exchange reserves to dangerously low levels.

In October, the Marcos Government asked more than 300 overseas banks which have loaned money to the Philippines to agree to a moratorium on repayment of principal until negotiations on new loans and rescheduling of existing debts were completed. Those negotiations have dragged on much longer than expected, mainly because the International Monetary Fund has discovered several serious discrepancies in the Philippines' official ac-

counts and has not been satisfied with Government policies to control the economy.

Referring to Central Bank figures which showed that overseas borrowing totalled nearly \$US19 billion at the end of last year (the figure is now put at nearly \$US26 billion), and that net interest expenses in 1982 amounted to more than \$US1.5 billion, or about one-third of the total value of exports that year, the report says nearly half of the external debts financed private investments.

"The share of the private sector would be larger if funds from the national Government, which eventually went to private firms through Government financial institutions, were treated as private expenditures," it says. "A substantial part of the foreign debt was either guaranteed by, or channelled through, Government financial institutions. Unfortunately, but perhaps not coincidentally, many of the firms that received the loans or guarantees . . . are doing badly.

"Some of these bad investments may well have been honest mistakes. However . . . the Government's practice of guaranteeing private debt, and converting defaulting loans to equity tended to reduce the losses to these private agents.

"What might have been limited failures and corporate tragedies confined to private persons (have) become transformed into a national economic crisis, and the burden of paying the debts of the few was passed on to the entire nation."

The report says about half the external debt is accounted for by deficits of the national Government. A large portion went to highways, ports, bridges and school buildings, but an even larger part went to corporate equity investment and other capital outlays. Between 1980 and 1982, 32.2 billion pesos (\$2.1 billion) out of 51 billion pesos, or 63 per cent of total capital outlays, went to these two areas.

"However, many projects carried out under these two headings could scarcely be called productive," the report says.

"One need only cite the magnitude of equity contributions (from the Government) to the Government financial institutions, on the one hand, and the large number of failed corporations in their portfolio on the other, to realise how poor the prospects are that the country's foreign obligations may eventually be met by the expected 'future output' of these projects."

The report says that corporate equity investments became the single most important capital outlay in 1981-1983, exceeding the share of infrastructure by 46.4 per cent to 36.3 per cent. "This was related to the Government's attempts to bail out certain large private firms which had gone under during the period."

It says equity contributions went to the Central Bank and four other Government banks and financial institutions "to allow the takeover or the extension of new loans, to the distressed and/or privileged firms".

The report warns: "To the extent that these 'projects' into which foreign funds have been sunk eventually prove unproductive, there will have to be cuts in the people's future consumption, in the form of lower real incomes, higher taxes, greater exports and so on to pay off foreign obligations. Such is the real burden of the debt."

The report also notes that the Philippines has the highest per capita civilian bureaucracy in Asia. "The Philippines thus stands out in the region for . . . Government office buildings, many of which are over-designed by Asian and developing-country standards. Office space has expanded partly to house a proliferating bureaucracy, and partly as a perquisite or amenity to high bureaucrats."

The report recommends that the "most crucial element" in any plan for long-term economic recovery must be a change in the system of Government towards less centralised political and economic decision-making and greater public accountability.

PROGRAM PROVIDES HOPE FOR SMALL FARMERS

Kuala Lumpur BUSINESS TIMES in English 11 Aug 84 p 6

[Article by Manolo B. Jara]

[Text] Capistrano Gonora, 50, is a tenant-farmer, one of the thousands in Misamis Oriental province in Northern Mindanao. Like his peers, "Manoy" Capistrano eked out a living by farming while tending to a coconut plantation in Barangay Sindayan in this town, about 80 kilometres south of the capital city of Cagayan de Oro.

Until recently, "Manoy" Capistrano was a "marginal farmer" whose earnings were barely enough to feed his family, including nine children. His plight was worsened by the fact that there was no feeder road to bring his produce to the town.

For, Barangay Sindayan is that isolated. Although it is less than 10 kilometres away from Talisayan, reaching Sindayan means a tortuous, bumpy ride over a trail which becomes impassable during the rainy season.

But here in Sindayan, one can find the stirrings of hope for a better life for the country's "marginal farmers" like "Manoy" Capistrano. (Manoy is a title of respect for a village elder).

This comes through a unique programme called Bakahang Barangay, a brainchild of new Agriculture Minister Salvador Escudero in 1977 when he was still director of the Bureau of Animal Industry.

The programme literally means "cattle for the barangay." It is a supervised credit and job-and-income-generating programme designed for small farmers.

Simply put, the programme encourages small farmers to undertake backyard cattle production for added income. The aim is to fatten cattle, purchased through a loan from a rural bank, for resale, say, after six months.

Minister Escudero first tried the programme out in Luzon where it met considerable success, particularly in the provinces of Pangasinan in Central Luzon and Batangas in Southern Luzon.

The programme was then introduced to Mindanao in South and Cebu in Central Philippines. One of the first "farmer-cooperators" of the programme in Misamis Oriental eventually won the "Farmer of the Year" award of the Agriculture Ministry.

But the road to the programme's success is not as easy as it seems, recalls Flor Talindan, Region 10 Director of the Agriculture Ministry. Director Talindan's area of coverage includes the whole of Northern Mindanao, including Misamis Oriental.

To convince other farmers about its viability, five farmers from Talisayan town were brought to the "Farmer of the Year" awardee for "a face-to-face talk." "We thought it best for the five Talisayan farmers to learn for themselves from a first-hand source the advantages of participating in backyard cattle production for added income," says Director Talindan.

Still, it was no go; the farmers were reluctant to take up the challenge. Later, however, with encouragement and prodding from Director Talindan's office and rural bank officials, the five farmers joined *Bakahang Barangay* — and hit "pay dirt," as Joel Rodinas, Region 10 planning officer, puts it.

Word soon spread about the success in Misamis Oriental, and others like "Manoy" Capistrano and some of his fellow villagers in Sindayan followed suit. He started with six heads of cattle which he purchased through a loan from the Talisayan Rural Bank.

"Manoy" Capistrano managed to sell the six fattened cattle, netting for him a "sizable profit" after repaying the bank loan. It is in this regard that rural banks play a vital role in the programme.

Like the government's "Masagana 99" programme, which paved the way for the country's self-sufficiency in rice, *Bakahang Barangay* makes use of rural banks to extend financial help to small farmers.

Loan

But unlike Masagana, the repayment rate is high, "as high as 95 to 96 per cent," says Director Talindan.

The "seed money," amounting to 500,000 pesos (US\$28,000) for the programme, was provided by the Bureau of Animal Industry and deposited with the central bank. The bank, in turn, farmed out the "seed funds" to accredited rural banks where farmers could avail of a loan.

A bank charges 10 per cent annual interest and a 2 per cent service fee from each borrower.

A major component of the programme is continuous technical support, including services and commodity support, from the Ministry of Agriculture through its nationwide network of technicians. Services in-

clude advising and training farmers on recommended cattle feeds, vaccination, deworming and the like.

Farmer-cooperators are also required to undergo seminars before they are allowed to participate in the programme.

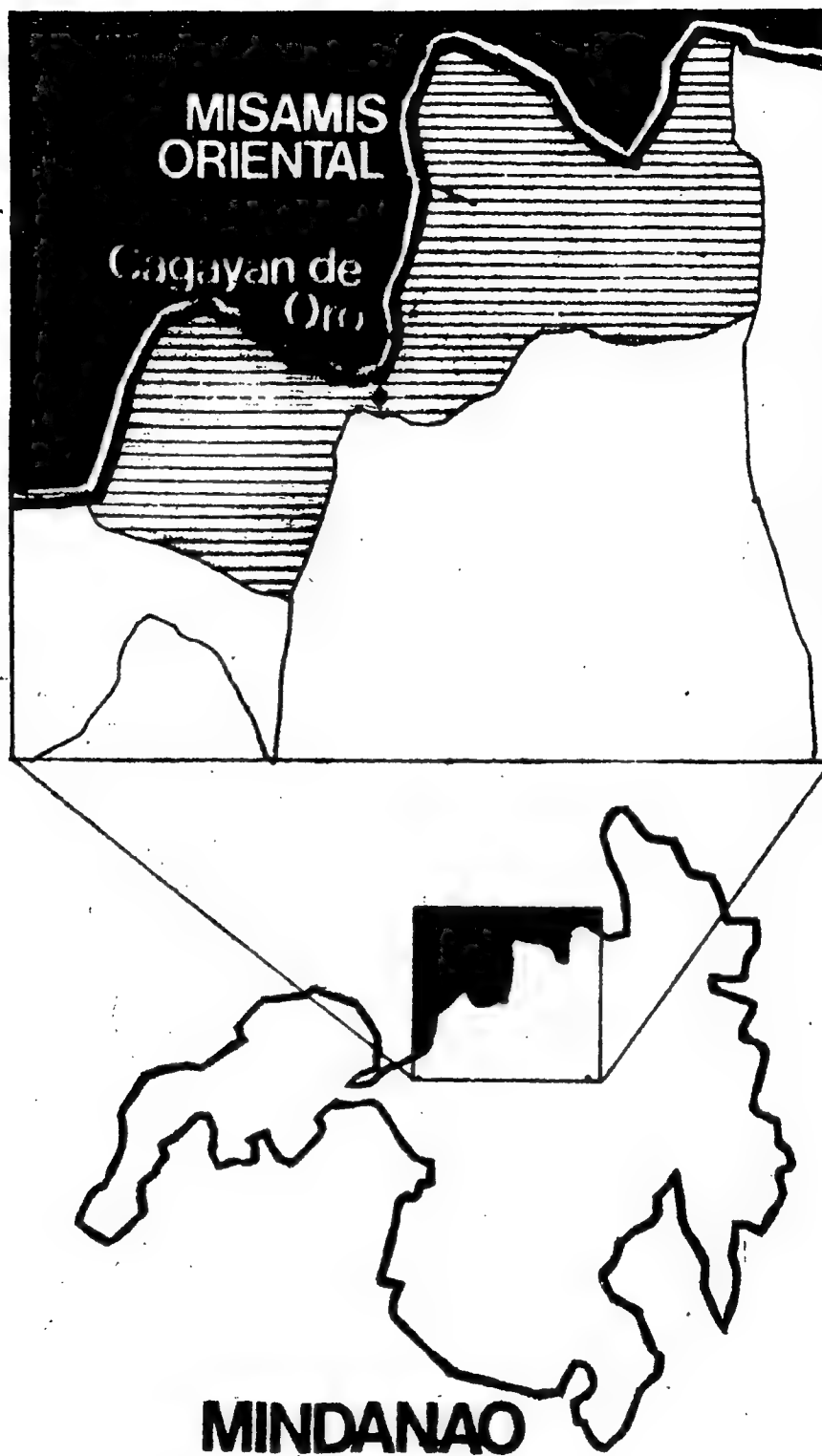
"Manoy" Capistrano and his fellow participating villagers in Sindayan have undergone all this. And they are unanimous in saying that it was worth it.

Right now, he is fattening 10 heads of cattle which he hopes to sell before the end of the year. He refuses to say how much he earns from the sale of his cattle but official estimates are that he grosses from 15,000 to 25,000 pesos (US\$835-US\$1,390) after every five months.

Perhaps the most striking evidence that "Manoy" Capistrano has already escaped from the "poverty trap" is this: his nine children are all attending school, including three in college.

In fact, his eldest, a boy, is graduating from college in nearby Iligan City with an engineering degree this October; another boy is also taking up engineering while a third, a girl, is a freshman education student.

With such credentials, who can argue with success as exemplified by "Manoy" Capistrano? — Depthnews Asia



PHILIPPINES

GOVERNMENT COOL TO LATIN AMERICA DEBTOR CARTEL

Manila PHILIPPINES DAILY EXPRESS in English 12 Aug 84 p 22

[Text] The Philippines has been invited to join Latin American debtor countries that have united to strengthen their bargaining position with the International Monetary Fund (IMF), Budget Minister Manuel Alba reportedly said Friday.

But Alba told a news conference that Manila has so far not shown keen interest in the invitation, the official Philippine News Agency (PNA) said.

The minister said the Latin American countries that have sounded out the Philippines on this included Mexico, Argentina, Venezuela and Brazil, PNA added.

Alba reiterated Premier Cesar Virata's prediction that a crucial \$650-million standby loan sought by the Philippines from the IMF would be approved by October, the agency said.

The Philippines, now saddled with a \$26-billion foreign debt, is awaiting IMF approval because it would pave the way for talks with private and multilateral lenders from whom the country is seeking fresh loans and restructuring of old debts.

CSO: 4200/1010

EDITORIAL VIEWS BILL TO ALLOW NEWSPRINT IMPORTS

Quezon City ANG PAHAYAGANG MALAYA in English 2 Aug 84 p 4

[Editorial: "Cendana Bill"]

[Text] It is not surprising that Pangasinan Assemblyman Gregoria Cendana, who is also Minister of Information in the Marcos Cabinet, has filed a bill allowing newspapers and magazines to import, through the Publishers Association of the Philippines, Inc., newsprint on a tax-and-duty free basis to sustain their growth and development. The measure would be aptly known as the Newspaper Preservation Act.

The Member of Parliament from Pangasinan is keenly aware of the difficulties now besetting the newspaper publishing industry, having managed the Office of Media Affairs (OMA) for so many years. He knows that unless newsprint is made available to print media at reasonable prices, publications for general dissemination cannot develop as they should.

But the bill should not limit its coverage to newsprint. It should also include other printing supplies and paraphernalia needed in putting out newspapers and magazines, such as ink, photographic materials and equipment. Newsprint may become easily available at reasonable costs but unless the other printing necessities are also within easy reach, newspaper publishing will continue to be difficult and costly.

And there is one other specific provision that must be included in the proposed bill. In extending the benefit to print media, no distinction must be made between pro-and-anti-government newspapers. In this way, equal treatment for all organs of public opinion will be assured.

The urgency of the Cendana proposal cannot be over-emphasized. All newspapers in our country today are finding it hard to keep their heads above the water because of the almost unbearable prices of newsprint and other printing requirements. In fact, many provincial newspapers have already folded up.

The National Assembly will be doing the people a great service by ensuring the continued publication of newspapers at reasonable prices, thereby serving the cause of freedom, if it enacts the bill the soonest time possible.

CSO: 4200/1010

PHILIPPINES

ISLAMIC SCHOOL OFFICIAL DENOUNCES ULAMA RESOLUTION

Quezon City ANG PAHAYAGANG MALAYA in English 12 Aug 84 pp 3, 6

[Text] A faculty member of the country's biggest Muslim school yesterday called as blatantly un-Islamic a resolution passed by the Ulama Council of the Philippines which called on the Catholic Church "to maintain the constitutional mandate of the separation of Church and State" and which deplored "the open support and encouragement given by certain sectors of the Catholic hierarchy to the government of the streets."

In a press statement, Uloomuddin Said, a faculty of Islamic instruction in Maahad Marawi Al-Islamie, the biggest Arabic and Islamic school in the country, said the resolution "is offensive to the Muslim psyche" and "tended to disturb the goodwill and solidarity of Muslims and Christians so essential in these times of great difficulties."

"Every concerned Muslim resents the hypocritical pretensions behind this self-serving act of assuming to speak for and in behalf of the ulama in the Muslims by some people whose claim of affiliation with the ulama is merely nominal and tenuous at best," Said said.

The resolution was presented to Batasan speaker Nicanor Yniguez by UCP chairman Sheikh Ahmad Bashir last July 26 with Lanao del Norte Gov Ali Dimaporo, UCP secretary general Salipada Tumano and board member Saad Uddin Alauya.

In the resolution, the UCP decried that the attitude of "maximum tolerance" of President Marcos "has been extremely abused by those desiring to overthrow the government, the New People's Army and even certain elements of the church."

It added that "although the pulpit is an effective venue for constructive criticism, the dissemination of wholesome thoughts and information, it should not be used for partisan political purposes; it should not be made a medium for false and destructive accusations that tend to incite the people to rise against duly constituted authority."

In his press statement, Said said "the so-called Ulama Council of the Philippines was organized in 1981 as a brainchild of some political leaders in an attempt to use the prestige and respectability of the ulama to enhance their political image here and in the Muslim countries."

"The UCP does not represent the ulama of the country which is in fact represented largely by a small group of 100 to 150 people who graduated from various Islamic universities in the Middle East," he said.

"The ulama is the body of learned men and women whose theological erudition, moral integrity and intellectual leadership are recognized and respected by that community," Said said.

"For the UCP to issue a resolution in the name of the ulama is a blatant act of deception and the meanest form of irresponsibility," he added. "For the UCP to suggest provocative pronouncements in the name of the Muslims and against certain elements of the Church is simply not Islamic."

Said said that both Islam and Christianity recognize the principle that every person is entitled to maintain his religious belief and integrity in obedience to his religious faith and identity; and that each side must respect the other with absolute sincerity.

"In these times of crises, everyone must get involved in the search for solutions to our difficulties," Said said. "But to take part in this endeavor usefully, one must have total frankness and an abiding respect for the rights of others."

CSO: 4200/1010

EDITORIAL ON REAGAN JOKE

Bangkok BANGKOK POST in English 17 Aug 84 p 4

[Editorial: "There's a Time and a Place To Joke"]

[Text]

ONE of President Reagan's more likeable traits is undoubtedly his sense of humour. It is quite refreshing hearing him bantering with journalists and it gives him a human quality generally lacking in his fellow politicians. Even his most bitter political opponents would grudgingly admit President Reagan is an amiable man.

Unfortunately every now and again he suffers from a bad case of foot in mouth. Last weekend during a microphone test preceding a radio broadcast he joked about bombing the Soviet Union. What he said has now become public knowledge. He presumably thought it was harmless fun. Certainly that has been the White House line, noting that it was "off the record." But as the Rev Jesse Jackson discovered in the Hymietown row, off the record comments become very much on record if they are made public.

Of course we don't think anyone will take his bombing comment seriously. But a lot of coun-

tries will be disturbed by the timing and content of the remarks and may interpret it as what he is really thinking when he is making so-called peace overtures. Not surprisingly the Soviet Union was less than amused and quickly responded with an acerbic comment about the low level of President Reagan's thoughts. Poland too is still smarting from another President Reagan "joke" a couple of years ago in which the Polish leaders were referred to as "no-good, lousy bums." The rest of the world last week was also hardly rocking with laughter, including many of America's closest allies.

The most disturbing side of all this is a man in President Reagan's important position displaying such a lack of sensitivity and awareness of the implications of such a distasteful joke. He surely must realise that in making comments like that with technicians and tape recorders present there is a very high risk

that the remarks are going to be leaked.

One wonders if the White House reaction to President Reagan's gaffe would be quite so flippant if the situations were reversed. Would a breezy off the cuff comment by Soviet President Konstantin Chernenko about bombing the United States be dismissed so lightly? We very much doubt it.

With relations between the United States and the Soviet Union at an all time low, what is needed in the White House is a diplomat, not a comedian. Can President Reagan realistically expect the leadership of the Soviet Union, myopic as it is, to show any enthusiasm for such things as arms talks if they think they are dealing with someone who privately — and not so privately — makes jokes about bombing Russia?

We dearly hope President Reagan keeps his sense of humour. But please Mr President, just be a little more careful what you joke about in future.

INDUSTRY MINISTRY TO PROMOTE AGRO-INDUSTRIAL PRODUCT EXPORTS

Bangkok THE NATION REVIEW in English 20 Aug 84 p 25

[Text]

THE Industry Ministry will step up promotion for exports of agro-industrial products to be in line with current productivity. The promotion includes comprehensive marketing, production and financial support.

Deputy Industry Minister Dr Chirayu Isarangkun Na Ayuthaya said at the weekend that the ministry is giving top priority to the development of agro-industrial production. It has also been in contact with experts from the Agency for International Development to help and study international markets.

He said that a team of experts is currently undertaking field study abroad, particularly in Europe and the United States to examine the potential of Thai exports to these countries.

A marketing report will eventually be integrated into national agricultural production plan to determine local production and use of arable land.

Besides, the plan will determine the expansion of irrigation system in the upcountry. The operations of the Board of Investment and the Industrial Finance Corp of Thailand will be to promote and give financial support to various agricultural projects, he said.

He explained that in the past related government agencies had often carried out their own

work without coordinating their efforts. The Industry Ministry will try to coordinate the work in comprehensive manner including the work of the Royal Irrigation Department and the Department of Industrial Promotion to achieve objectives similar to what has been done successfully in the canned pineapple industry.

He pointed out that marketing survey being done includes the high demand for tomato as a utility item in various food products. "We should be able to develop the industry to produce tomato in bulk during the season and process it into tomato paste and export them in big containers for food processors abroad," he commented.

Dr Chirayu said the survey will list famous brand names of producers which already have substantial market share and Thai exporters should be able to exploit them to their advantage. Meanwhile, brand owners would get reasonable return on "good will" and Thai industrialists would receive appropriate technical know-how and advice.

Dr Chirayu, meanwhile, said that export of pineapple is booming since there is still great demand for the product worldwide. Hawaii, which is one of the most important producers, is facing problems of high prices for arable land and high wages while Japanese investors are turning to Thailand.

EASTERN SEABOARD PRIORITIES; COTTON IMPORTS

Bangkok THE NATION REVIEW in English 20 Aug 84 p 25

[Text]

INDUSTRY Minister Ob Vasuratna and senior officials will today discuss incentives for setting priorities for industries to be promoted on the Eastern Seaboard and other areas so that the government can campaign for foreign investment.

Minister Ob heads a sub-committee on incentives for the Eastern Seaboard Development Committee.

Well-informed sources told *The Nation* that the sub-committee will outline comparative incentives for industries on the seaboard such in the industrial estate in Rayong and Chonburi provinces.

At the same time, the sub-committee will compare the incentives provided by Thailand and other countries in this region.

The sources said so far the sub-committee has concluded that basically Thailand has comparative advantages in terms of cheap labour, lower production cost while workers tend to be less troublesome and more honest.

However, the drawback lies with less efficient communications and transportation of inbound and outbound raw materials and cargo. Some countries such as Hong Kong take only hours while it takes day or months for Thailand.

A sub-committee member has opposed the setting of different incentives because some industries may never be established if they don't have government promotion.

Another issue to be discussed involves the infrastructure which must be provided by the government failing which it can never attract investment.

The same sub-committee member has pointed out that people are still confused over which area, Laem Chabang or Mab Ta Put, will be eligible for promotional incentives.

There is the need for the government to clearly define investment incentives for these areas so that investors can decide where they should set up businesses.

THAILAND is expected to import more cotton next year since higher prices have still not give farmers the incentive to cultivate the crop and the ongoing situation will continue to effect the country's balance of trade in a significant way.

According to the Board of Trade report released at the weekend, the country imported 118,307 tons of cotton valued at 2,376.9 million baht during the first half of this year which is more than double the imports in the first half of 1983, when 48,682 tons valued at 1,531.4 million baht were imported.

Meanwhile, Thailand exported a total of 6,700 tons of cotton amounting to about 130.4 million baht which represents an increase of 9.53 per cent and a decrease of 4.35 per cent respectively compared to the same period last year.

The report cited the continuing reluctance of farmers to cultivate the crop mainly due to high production cost and problems associated with pesticide and production has remained at about 180 kg per rai during the past ten years with no signs of improvement.

The inability to establish import substitution industry for cotton implies that local textile industry will not be able to compete with foreign competitors at fullest because of the lack of necessary raw material and the Board of Trade called on related parties to look into the problems of the domestic cotton industry seriously.

Meanwhile, US continues to be Thailand's most important supplier and accounted for over 75 per cent of total cotton imports compared to about 50 per cent last year. Exports from Sudan and China amounted to an almost equal quantity but it is significant that China which exported only 202 tons of cotton here during the first six months of last year exported total

10,017 tons during the first six month of 1984.

China, which became the biggest producer of cotton this year, is expected to become one of the most important suppliers of cotton to Thailand in the coming years. The figure during the first six months of this year revealed that imports from China amounted to about 300 million baht.

The US retained the top position with value estimated at about 1,333 million baht with Sudan in the second place at 426 million baht and China third. Thailand, currently, imports cotton from more than 15 countries.

Exports from Thailand, although showed a 0.53 percentage increase during the first half of this year in term of quantity, the value showed a small drop partly because of the inferior quality.

Hong Kong remains one of Thailand's most important buyers but exports there dropped significantly from 2,253 tons valued at about 66 million baht during the first six month of last year to 2,161 tons valued at 40 million baht during the same period this year. It is noticable that European countries are buying more cotton from Thailand while exports to neighbouring countries showed some decline.

Germany imported 2,161 tons of Thai cotton during the first half of this year valued at 32 million baht compared to 2.39 tons at about five million baht last year.

It is estimated that world cotton production for 1984-5 will increase by about nine per cent to 73.93 million bales. China will continue to be the biggest producer but its production level is likely to drop slightly to 20 million bales for the coming year while Russia is expected to produce 12.70 million bales and the US about 12.8 million against 7.77 million bales recorded last year.

LANDLESSNESS FORCES URBANIZATION, PROBLEMS

Bangkok THE NATION REVIEW in English 19 Aug 84 p 17

[Article by Suwanna: "Dangerous Playgrounds, Stifled Dreams"]

[Text]

EIGHT-year-old Chamnien Kannark lay still in a dark and stuffy shack at the construction site of a 35-storey hotel building, on a bank of the Chao Phya River.

Deaf and mute since birth, she is also partially paralyzed, the latter handicap the result of a mistake by a doctor who treated her with the wrong medicine. Chamnien has been living with her parents at the construction site for some months. Her father, an unskilled worker who used to earn a wage of 50 baht-a-day, met with an accident recently and has been unable to work since.

Chamien was burning with a high fever on the day that an official of the Mobile Child Care Centre found her lying alone in the shack. She would have lost her life if the official had not found her when he did.

Kidd, a five-year-old girl, is also the child of a construction site labourer and she too lives with her parents on the site. Kidd is mentally retarded as a result of accident. One day, as she was playing outside the shack in which she and her parents lived, a falling plank hit and injured her.

Those are just two cases involving children who live with their parents at construction sites. A recent report by Wallop Tangkananurak, a coordinator of the

Mobile Child Care Centre of the Children's Foundation, lists the serious problems facing children of construction workers. As many as 12,840 children under 15 years-old are living at construction sites under adverse conditions.

Wallop said in the report that "Western influences" have changed the lifestyle of Thai people.

Because of the poverty that now exists among farmers in the provinces and because of the lure of the modern metropolis that is Bangkok, more and more poor 'farmers' are coming to the city in search of better jobs. It is this group of people who make up the majority of unskilled labourers working at construction sites.

According to another report by the Land Development Department of the Agriculture Ministry, some 37.6 per cent of the farming community in Ayudhya Province alone is landless (i.e. they do not own any land on which to farm). In other provinces, the number of landless farmers is just as high. Samud Prakarn, for instance, has 30.48 per cent, Samud Songkram, 24.30 per cent and Angthong, 24.26 per cent.

When these people come to Bangkok in search of jobs, they quickly find that the only jobs they are qualified for and that are available to them are unskilled jobs at construction sites. The

jobs, in other words, that are the lowest paying.

Wallop's report, based on statistics from a 1982 research by the Social Research Institute of Chulalongkorn University, puts the ages of most construction site labourers at between 15 and 25 years. The average education level of these workers is 'Pathom' four. Labourers are normally paid daily wages, and so it is the norm for them to work seven days a week, without an off-day in order to earn as much as they can.

But most labourers receive their pay cheques fortnightly and many find that they cannot manage without any cash in the interim. So they borrow money at extremely high (up to 20 per cent per week) interest rates.

The stress from their jobs is also high and many individuals succumb to their stress eventually. They suffer from fatigue and depression. Suicides among labourers are not uncommon. The children of these construction workers are also inevitably affected. In most cases, the living conditions are so bad that disease among the children is rampant. A variety of skin diseases, eye infections and symptoms of malnutrition are commonly found in these children. Some of the children may even be suffering from more than one or all of these diseases at once.

Wallop's research found that 77.6 per cent of the children of construction workers examined suffered from malnutrition. This condition, if prolonged, can lead to mental retardation.

As the lifestyle of construction workers is nomadic (moving from one construction site to another), the children very rarely get to attend school. Even if they do, it will most probably be a temporary arrangement before they have to move with their parents. It is not surprising, therefore, to see these children grow up and take the place of their parents as uneducated, unskilled labourers.

Last April, the Children's Foundation did a research on the education of these children and found out that out of 175 children of schooling age, only 62 had attended school. The research also found that many of these children develop insecure personalities as a result of the lack of 'normal' family life.

The Children's Foundation has had mobile child care centres since 1979. These mobile centres operate by going to various construction sites in Bangkok and setting up there. The centres provide children of construction site workers a proper place to play and receive education. Twenty mobile centres have been set up on the last four years, although not all of them are still operating.

At present, the Children's Foundation operates four mobile centres at four major construction sites in Bangkok. A total of 170 children attend these centres, where they learn how to read and write and where they are also provided proper meals free of charge. Those children who have been attending one of the centres regularly for a period of time have shown marked improvement, not only as far as their health is concerned but also in terms of their general bearing and behaviour.

Says Wallop of the mobile centres:

"We provide them (the children) with those things that children normally need — a chance to sing, play, learn, and enjoy each other's company.

The mobile centres, however, reach only two per cent of the total number of children of construction workers. In Bangkok, some construction sites have over 20 children, and it is all but impossible for the Children Foundation to operate enough mobile centres to cover all the sites.

As it is, the mobile centres are being co-sponsored by a private German organization and there are only 11 personnel running them. Each centre has at least two

trained instructors. But the response of the labourers and their children to the centres has been good. "Parents always come to us expressing their enthusiasm and support for our centres. Sometimes, they even come to us for advice and that is very encouraging," says Wallop.

There have even been suggestions by the labourers that the centres operate classes for adults so that they themselves may attend and improve their skills and knowledge. But because the children have to move everytime their parents do (the average construction project is completed within one year), it is difficult to establish anything on a permanent basis.

The mobile centres try to supplement their educational programmes by screening films on health, proper nutrition and other relevant subjects for the labourers' benefit. Today, the Children's Foundation is seeking new ways to garner public support for its mobile child centre programme, as well as to increase the public's awareness of the problems facing these construction site children.

The Education Ministry, meanwhile, is interested in setting up a permanent school specially for these children at Map-Ta Put in Rayong Province, where a large industrial estate is being constructed. That school, once it is completed, will be able to accommodate over 1,000 children of workers at the long-term industrial project.

"We are asking the education minister to set up special schools for these children because it is essential that they receive the attention they need. We are also trying to persuade the authorities concerned to pass a law which will require construction companies to operate a child care centre at construction sites. Such a law already exists in India," says Wallop.

These efforts, says Wallop, are being made to provide opportunities for these underprivileged children to improve their lives. After all, he adds, the United Nations has proclaimed that every child has the right to be treated equally without discriminating against his or her race, sex, language, religion or social class.

CSO: 4200/1021

GAS PRODUCTION EFFORTS

Kuala Lumpur BUSINESS TIMES in English 14 Aug 84 p 23

[Article by Louise Do Rosario: "Thailand's Going All Out To Boost its Gas Production"]

[Text]

THE next twelve months will be a busy time for Thailand's energy officials and foreign oil executives. Important developments are taking place, changing the country's energy profile in a quiet but big way. These include:

- Producing more gas for national needs. After a shortfall in gas production last year, output has now reached the target level of 220 MMcfd (million cubic feet per day). By 1986, Thailand hopes to double this volume.

- Completion of the much-heralded US\$180 million-gas separation plant by November this year. It will be initially for producing LPG, enabling Thailand to be self-sufficient in LPG around the end of next year.

- Inviting oil firms to bid for new concessions later this year. Speculation is now raised that the government may offer sweeter terms this time to attract more bidders.

Discovery

- Negotiation between the Petroleum Authority of Thailand (PTT) and Thai Shell to take up a 25 per cent stake in the latter's concession where the Sirikit field is now producing 12,000 barrels a day. Such a joint venture, if concluded, will be the first for PTT which has so far concentrated on acting as an agent for state hydrocarbon purchases.

Putting all these pieces together, observers note that Thailand is progressing well to its target to use more gas to reduce its oil bill, while banking on hopes that more hydrocarbons may be found to turn the country from importing to exporting fuel.

Until recently, Thailand almost imported all its energy needs. In 1970, Thailand's oil bill was US\$96 million, about 7 per cent of its total imports; in 1981, the oil bill rose to US\$2.94 billion, which is 28 per

cent of its imports or 40 per cent of its export earnings.

Against this background, Thailand started to invite foreign oil firms to explore its hydrocarbon resources onshore and offshore in the Gulf of Thailand and the Andaman Sea in 1967. Since then, Thailand awarded batches of concession blocks on an average of every two to three years.

The first gas discovery was made by the US-based Union Oil of Thailand in 1971; Texas Pacific (TP), another US firm, also had a major gas discovery in 1976. Thailand now claims to have gas reserves of at least 15 trillion cu. ft. This volume will enable Thailand to be self-sufficient in gas for the next 15 to 20 years, analysts say. Oil reserves identified so far are much smaller.

The heart of Thailand's ambitious energy development is its gas utilisation projects located south of Bangkok, bringing gas from the

gas fields in the Gulf to onshore power, petrochemical and fertiliser plants.

Since September 1981, gas started to flow via a 425-km, pipeline from Union Oil's Erawan field to the southern Rayong province. The only unpleasant surprise so far is the revised reserves for the gas-producing Erawan field, from an earlier 1.58 trillion cu. ft to 0.62 trillion cu. ft. Analysts now question whether Thailand will have any surplus for exporting LNG as planned earlier. The Thai LNG Company Ltd, set up in 1982 to handle the LNG export plan, is still largely an exercise on paper.

Other items that still hang in the air include the 80-year-old negotiation with TP over the sale of gas from the latter's "B" structure in the Gulf. Another outstanding issue is the proposed programme with Malaysia to jointly develop offshore areas claimed by both countries.

Target

But other than these marathon issues, the other pieces of Thailand's ambitious gas plan are falling nicely into place. Sirikit, the country's first commercial oil field brought on-stream last year, is now producing 12,000 barrels a day, about 6.3 per cent of Thailand's oil imports in 1982. The shortfall in production by Union Oil from the Erawan field last year is now adequately covered by bringing on-stream the Baanpot field earlier than scheduled.

Overall, Thailand is moving cautiously, avoiding to create white elephants at a time when the government is suffering from continuous deficits and heavy

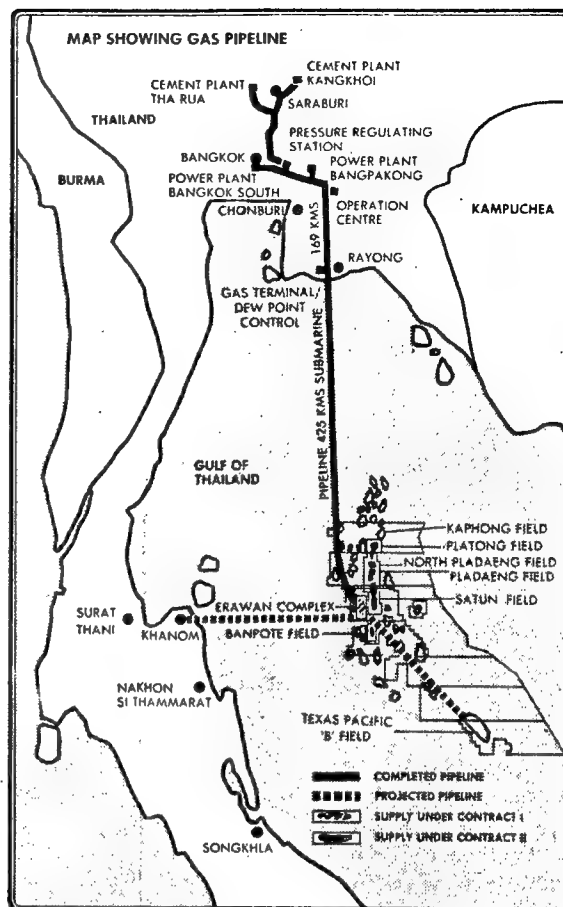
debt servicing. Said Mr Tongchat Hongladaromp, PTT's governor, in a recent speech: "Our response (to the challenge of using gas efficiently) has been extremely cautious in the planning stages...by their very nature, gas utilisation projects tend to be large and expensive. We cannot afford to make any mistakes."

Thailand's target is to reduce oil consumption from 61 per cent of its total national needs in 1981 to 45 per cent by 1990; gas will jump from 8 per cent to 22 per cent. By 1990, official figure projects, Thailand will supply 800-900 MMcf and save some US\$1.7 billion in its annual oil bill.

At one stage, there was concern that with declining oil prices, Thailand may slow down its own energy programmes and favour cheap imports. Mr Pala Sookawesh, PTT's deputy governor (special affairs), refutes: "At US\$26 a barrel, it is still more economical to produce."

A true sign of Thailand's continued determination to develop indigenous energy resources is its plan to award more concessions in the near future.

Since mid-1981, three concessions have been awarded to groups headed by Southwest Company, North Central International Inc. and Placid Oil. Another



round of bidding is planned for August, says Mr Prakong Polahan, director of the Department of Mineral Resources (Mineral Fuels Division), who is optimistic about the outcome. "We have received many letters from oil companies, expressing strong interest to explore hydrocarbons in Thailand," he says.

Bonus

Foreign oil companies already operating in Thailand have a different view. They say harsh contract terms introduced in 1982 have made exploration in Thailand less attractive. They point to two clauses in particular: the annual bonus and the tax on expenses. The bonus is 27.5 per cent of the petroleum sold when production is 10,000-20,000 barrels per day; 37.5 per cent for 20,000-30,000 barrels per day and 43.5 per cent for anything beyond that. "It is a penalty for doing more," says one source in Bangkok.

The tax clauses, as one foreign oil executive interprets, implies that total tax-deductible expenses incurred annually by oil firms should not exceed 25 per

cent of its revenue or else companies will have to pay more to the government under 'annual benefits' or other categories. Mr P.J. Merki, managing director of Thai Shell, says the system, operating like imposing fines for high expenditures is "a special one in Thailand, one that is found nowhere else in the world."

Energy officials however maintained that Thailand's terms are generous. "Thailand is getting less return from resources (developed by foreign firms) than, say, Malaysia and Indonesia.....we tend to be a bit more generous in our terms because we are just starting in the exploration business)," says PTT's Mr Hongladaromp.

Harsh or generous, Thailand is still attracting a steady if smaller stream of oil companies to take out concessions. The latest concession was awarded last month to the UK-based Southwest Consolidated Resources PLC for two blocks in the north. Official sources say the Malaysian engineering group, Promet, may take up a 25 per cent stake and even act as operator later this year.

Meanwhile, PTT it-

self has also begun work in its 15,000 sq km block in the Gulf. Mr Sookawesh says about 4,000 kms of 3D seismic have been shot, with the assistance of Canada's Petro-Canada International Assistance Corporation, which offered a US\$5 million grant to Thailand for exploration and production.

On PTT's negotiation with Thai Shell to take up 25 per cent of the oil firm's concession, Mr Sookawesh hopes an agreement can be reached by September and that the World Bank will help with the financing. The deal is expected to cost about US\$100 million, sources say.

Are all these activities an indication that PTT is turning to be a full-fledged national firm like Petronas complete with its own exploration arm in Caragali? "Our potential is not as strong as Caragali," admits Mr Sookawesh. "I think we will use the format of joint ventures at this stage (for any exploration activity) rather than doing it alone. Even for our block, we will find other partners to help us. Our manpower and resources are not strong enough; we do not want to take high risks."

CSO: 4200/1021

INTERNATIONAL RELATIONS, TRADE AND AID

FOREIGN LEADERS GREET VIETNAMESE NATIONAL DAY

OW110805 Hanoi VNA in English 0720 GMT 11 Sep 84

[Text] Hanoi, 11 Sep (VNA)--Vietnamese party and state leaders have received messages of greetings from their counterparts in the Republic of Nicaragua, the Republic of India and the Democratic Republic of Afghanistan on the occasion of the 39th anniversary of the National Day of Vietnam.

In his message to President Truong Chinh and Chairman Pham Van Dong, revolutionary commander Daniel Ortega Saavedra, coordinator of the Junta of the Government of National Reconstruction of the Republic of Nicaragua, reiterates his people's solidarity with the fraternal Vietnamese people in their struggle for sovereignty and peace.

On this occasion Nicaraguan Foreign Minister Miguel d'Escoto Brockman has sent greetings to his Vietnamese counterpart, Nguyen Co Thach.

In his message to President Truong Chinh, Indian President Giani Zail Singh expressed his confidence that the friendship between the two countries will further develop in the coming years.

Indian Prime Minister Mrs Indira Gandhi, in her message to Chairman Pham Van Dong, expressed the wish for further development of friendship between the two nations.

Foreign Minister Nguyen Co Thach has also received greetings from his Indian counterpart, A Rahim. [name as received]

A joint message was addressed to party general secretary Le Duan, State Council President Truong Chinh and chairman of the Council of Ministers Pham Van Dong by Babrak Karmal, general secretary of the People's Democratic Party of Afghanistan Central Committee and chairman of the Revolutionary Council of the Democratic Republic of Afghanistan, and Soltan Ali Keshtmand, Political Bureau member of the PDPA and chairman of the Council of Ministers. The message expressed full support for the Vietnamese people's struggle against imperialism and hegemonism, for peace, democracy and social progress.

"We wish to further consolidate the relations between the PDPA and the CPV," it said.

CSO: 4200/1040

INTERNATIONAL RELATIONS, TRADE AND AID

SOCIALIST LEADERS GREET VIETNAM NATIONAL DAY

OW100829 Hanoi VNA in English 0727 GMT 10 Sep 84

[Text] Hanoi, 10 Sep (VNA)—On the 39th anniversary of the National Day of Vietnam, Vietnamese party and state leaders have received messages of greetings from their counterparts in the People's Socialist Republic of Albania, the Socialist Republic of Romania and the Democratic People's Republic of Korea.

The joint message is addressed to party general secretary Le Duan, State Council President Truong Chinh and chairman of the Council of Ministers Pham Van Dong, by Enver Hoxha, first secretary of the Party of Labour of Albania Central Committee; Ramiz Alia, president of the Presidium of the People's Assembly of the People's Socialist Republic of Albania; and chairman of the Council of Ministers Adil Carcani. The message said the Vietnamese people's heroic struggle against the U.S. imperialists and their henchman [as received] will forever be an example encouraging other peoples in their fight for their independence and freedom against the imperialists' onslaughts.

Today, the message further said, the Vietnamese with their self-denying labour and in their resolute struggle against the dark schemes and attacks by imperialist forces, have recorded considerable achievements in rebuilding their country and unceasingly developing their national economy and culture.

The message expressed the wish for further consolidation and development of the friendly relations between the two peoples in their own interests and in the interests of the struggle against imperialism and reaction.

The message sent from Nicolae Ceausescu, secretary general of the Romanian Communist Party and president of the SRR Constantin Dascalescu, prime minister; and Nicolae Giosan, chairman of the Grand National Assembly, said:

"We wish you new successes in implementing the resolutions of the Fifth Congress of the Communist Party of Vietnam and in your tasks of building the material and technical bases of socialism in conformity with the fraternal Vietnamese people's aspiration for peace, progress and prosperity.

In his message to Le Duan and Truong Chinh, Kim Il-song, secretary general of the Workers' Party of Korea, president of the Democratic People's Republic of Korea, hailed the complete liberation and unification of Vietnam gained after a long and hard struggle under the leadership of the Communist Party of Vietnam against the U.S. imperialist aggressors, and welcomed the successes of Vietnam's socialist construction at present.

"We believe that the friendly relations between the peoples of the DPRK and the SRV will continue to develop. We wish you and the Vietnamese people greater successes in carrying out the third five-year state plan mapped out by the Fifth CPV Congress," the message added.

For his part, Kang Song-san, premier of the DPRK administration council, has sent his greetings to chairman of the Council of Ministers Pham Van Dong.

On this occasion, Foreign Minister Nguyen Co Thach has received messages of greetings from Albania's Foreign Minister Reis Malile, Romanian Foreign Minister Stefan Andrei, and DPRK Foreign Minister Kim Yong-nam.

CSO: 4200/1040

INTERNATIONAL RELATIONS, TRADE AND AID

KAMPUCHEAN LEADERS GREET VIETNAM'S NATIONAL DAY

OW070815 Hanoi VNA in English 0704 GMT 7 Sep 84

[Text] Hanoi, 7 Sep (VNA)--Kampuchean leaders on Sunday sent a message of greetings to their Vietnamese counterparts on the 39th National Day of Vietnam (September 9).

The message was jointly signed by Heng Samrin, general secretary of the Central Committee of the People's Revolutionary Party of Kampuchea and president of the State Council; Chea Sim, chairman of the National Assembly; and Chan Sy, Politburo member of the party Central Committee and chairman of the Council of Ministers; and addressed to Le Duan, general secretary of the Communist Party of Vietnam Central Committee; Truong Chinh, president of the State Council; Pham Van Dong, chairman of the Council of Ministers; and Nguyen Huu Tho, chairman of the National Assembly.

The message reads: "September 2, 1945, the date of the foundation of the Democratic Republic of Vietnam (now the Socialist Republic of Vietnam), has become a historical day not only for Vietnam, but also for other oppressed nations in the world.

"Over the past 39 years, under the clear-sighted leadership of the Communist Party of Vietnam, the heroic people of Vietnam have obtained brilliant successes in the defence and construction of their socialist fatherland. The Vietnamese people successively defeated the French colonialists, the U.S. imperialists and the Chinese expansionists and hegemonists, and successfully defended their revolutionary achievements.

"The Kampuchean people warmly hail the successes of the Vietnamese people and consider them their own. These successes have created favourable conditions for the Kampuchean and Lao revolutions and for the consolidation of strategic alliance among the three Indochinese countries. In the most difficult conditions of struggle for national independence and against the French colonialists, the U.S. imperialists, and in particular, the Chinese expansionists and hegemonists and their Pol Pot-Ieng Sary-Khieu Samphan willing tool, the Kampuchean people have always enjoyed support and assistance from the Vietnamese people who have never hesitated about sacrificing their blood for the cause of the Kampuchean revolution.

"The Kampuchean people express their most sincere sentiments and profound gratitude to the people of Vietnam for their proletarian internationalist support."

"The Kampuchean people are determined to do their best to reinforce and strengthen their militant solidarity and multiform cooperation with the fraternal peoples of Vietnam and Laos with the aim to defend the independence and freedom of their respective countries.

"The Kampuchean leaders wished the solidarity and friendship among Kampuchea, Vietnam and Laos constant consolidation."

On this occasion, Foreign Minister Hun Sen has also sent his best wishes to his Vietnamese counterpart, Nguyen Co Thach.

CSO: 4200/1040

INTERNATIONAL RELATIONS, TRADE AND AID

POLAND, BULGARIA, CUBA GREET SRV NATIONAL DAY

OW070803 Hanoi VNA in English 0727 GMT 7 Sep 84

[Text] Hanoi, 7 Sep (VNA)--Vietnamese party and state leaders Le Duan, Truong Chinh, Pham Van Dong and Nguyen Huu Tho have received messages of greetings from their Polish, Bulgarian and Cuban counterparts on the occasion of the 39th National Day of Vietnam.

In their joint message, Wojciech Jaruzelski, first secretary of the Polish United Workers' Party Central Committee and chairman of the Council of Ministers, and Henryk Jablonski, president of the Council of State, wrote:

"The consistent foreign policy of peace pursued by the Socialist Republic of Vietnam and the initiatives put forth by Vietnam, Laos and Kampuchea aimed at maintaining peace, stability and good neighbourliness in Southeast Asia have been welcomed and supported by the fraternal socialist countries and peace-loving and progressive forces in the world.

"We reaffirm with satisfaction that the long-standing friendship and cooperation between our two countries and parties on the principles of Marxism-Leninism and proletarian internationalism have been further strengthened in conformity with the interests of the two nations, and of peace and socialism in the world."

The messages from Todor Zhivkov, secretary general of the Bulgarian Communist Party Central Committee and chairman of the State Council; Grisha Filipov, chairman of the Council of Ministers, and Stanko Todorov, chairman of the National Assembly, read:

"The People's Republic of Bulgaria fully supports the foreign policy of the Socialist Republic of Vietnam aimed at maintaining peace, stability and good neighbourliness among the Southeast Asian countries."

"We firmly believe that all acts of the imperialists, hegemonists and other reactionary forces to complicate the international situation and weaken the Socialist Republic of Vietnam, the Lao People's Democratic Republic and the People's Republic of Kampuchea will be defeated."

Fidel Castro Ruz, first secretary of the Communist Party of Cuba Central Committee and president of the State Council and the Council of Ministers, and Flavio Bravo Pardo, president of the National Assembly of the people's power, in their message said: "On this occasion, we express our wishes for further development of the fraternal friendship and close militant solidarity between the peoples, the parties and governments of our two countries, thereby making an exemplary contribution to the cause of peace."

They strongly condemned Chinese land-grabbing attacks against the Vietnamese northern border provinces, and renewed Cuba's support for and solidarity and cooperation with Vietnam.

Also on this occasion, Foreign Minister Nguyen Co Thach has received messages of greetings from his Bulgarian and Cuban counterparts, Petur Mladenov and Isidoro Malmierca Peoli, respectively.

CSO: 4200/1040

INTERNATIONAL RELATIONS, TRADE AND AID

GDR, HUNGARY SEND NATIONAL DAY GREETINGS

OW080921 Hanoi VNA in English 0731 GMT 8 Sep 84

[Text] Hanoi, 8 Sep (VNA)--Leaders of the German Democratic Republic have sent a joint message of greetings to their Vietnamese counterparts on the 39th National Day of Vietnam (September 2).

The message signed by Erich Honecker, general secretary of the Socialist Unity Party of Germany Central Committee, and chairman of the Council of State; Willi Stoph, chairman of the Council of Ministers; and Horst Sindermann, president of the People's Chamber; is addressed to Le Duan, general secretary of the Communist Party of Vietnam Central Committee; Truong Chinh, president of the State Council; Pham Van Dong, chairman of the Council of Ministers; and Nguyen Huu Tho, chairman of the National Assembly.

The message voices the GDR's full support for Vietnam's constructive initiatives aimed at reducing tension as well as building a region of peace, stability and cooperation in Southeast Asia.

The message expressed the GDR leaders' satisfaction at the constant consolidation and development of the close friendship and fraternal cooperation and the mutual support between the two parties, states and peoples on the basis of Marxism-Leninism proletarian internationalism and the treaty of friendship and cooperation.

Also on this occasion, GDR Foreign Minister Oskar Fischer has sent his greetings to Foreign Minister Nguyen Co Thach.

In their message of greeting addressed to Le Duan, Truong Chinh and Pham Van Dong, Janos Kadar, first secretary of the Hungarian Socialist Workers' Party Central Committee; Pal Losonczi, president of the Presidential Council of the Hungarian People's Republic; and Gyorgy Lazar, chairman of the Council of Ministers, said that now as in the past, the Hungarian party, government and people staunchly stand beside the Vietnamese people in their struggle to defend and consolidate their revolutionary gains. The Hungarian leaders expressed high appreciation of Vietnam's efforts and initiatives in its foreign policy aimed at favouring cooperation among the countries in Southeast Asia.

Antal Apro, president of the Hungarian national assembly, has sent his greetings to Chairman Nguyen Huu Tho on this occasion.

INTERNATIONAL RELATIONS, TRADE AND AID

MPR, CSSR LEADERS SEND NATIONAL DAY GREETINGS

OW090827 Hanoi VNA in English 0733 GMT 9 Sep 84

[Text] Hanoi, 9 Sep (VNA)--Mongolian leaders have sent a joint message of greetings to their Vietnamese counterparts on the 39th National Day of Vietnam (2 September).

The message signed by Jambyn Batmonh, general secretary of the People's Revolutionary Party of Mongolia Central Committee, and chairman of the Council of Ministers; and Nyamyn Jagbaral, deputy chairman of the Presidium of the People's Great Hural; is addressed to Le Duan, general secretary of the Communist Party of Vietnam Central Committee; Truong Chinh, president of the State Council; and Pham Van Dong, chairman of the Council of Ministers.

The message exalts Vietnam's international activities as a positive contribution to safeguarding and consolidating peace and stability in Southeast Asia and strengthening peace and security in Asia and the rest of the world. It expresses the Mongolian leaders' satisfaction at the further consolidation of the fraternal friendship, close cooperation and firm militant solidarity between the two parties, states and peoples on the basis of Marxism-Leninism and socialist internationalism and their confidence in the continuing development of these relations.

Greetings on the same occasion were sent by B. Altangeral, chairman of the Presidium of the People's Great Hural to Nguyen Huu Tho, chairman of the Vietnamese National Assembly, and Mongolian Foreign Minister Mangalyn Dugersuren to Foreign Minister Nguyen Co Thach, respectively.

In their message addressed to Le Duan, Truong Chinh and Pham Van Dong, Gustav Husak, general secretary of the Communist Party of Czechoslovakia Central Committee, and president of the Socialist Republic of Czechoslovakia; and Lubomir Strougal, prime minister, voiced their support to Vietnam's foreign policy of peace, considering it our active contribution to the struggle of the socialist community and the forces of peace and progress throughout the world, struggle aimed at pushing back the danger of war and maintaining peace and establishing relations of mutual trust among countries with different social systems.

The Czechoslovak leaders further said that this policy, together with the coordination of international activities with Laos and Kampuchea, contributes to developing cooperation among countries in Southeast Asia, winning sympathy of the world public, and heightening Vietnam's international prestige.

The message expressed the Czechoslovak leaders' belief in the constant consolidation and development of the traditional friendship and all-round cooperation between the two countries on the basis of Marxism-Leninism and socialist internationalism, in the interests of the two peoples and for the victory on peace, socialism and progress.

Alois Indra, member of the Presidium of the CPC Central Committee and chairman of the Federal National Assembly, has sent his greetings to Chairman Nguyen Huu Tho.

Foreign Minister Nguyen Co Thach has received a message of greetings from Czechoslovak Foreign Minister Bohuslav Chnoupek on this occasion.

CSO: 4200/1040

INTERNATIONAL RELATIONS, TRADE AND AID

ZIMBABWE'S BANANA MEETS SRV AMBASSADOR

OW101812 Hanoi VNA in English 1530 GMT 10 Sep 84

[Text] Hanoi, 10 Sep (VNA)--Zimbabwe President Canaan Banana has said that "the heroic fight and great victory of the Vietnamese people have been a source of encouragement for the Zimbabwe people in their struggle against colonialism and apartheid."

While receiving Vietnamese Ambassador Nguyen Khac Huynh in Salisbury on 4 September, the president further said that the Zimbabwe Government and people sincerely thanked the Vietnamese people for their support. He expressed the wish for new successes for the Vietnamese people in building a plentiful life and further development of the relations between Vietnam and Zimbabwe.

Ambassador Nguyen Khac Huynh later paid a courtesy visit to Simon Muzenda, vice-president of the Zimbabwe African National Union (ZANU) and acting prime minister. Simon Muzenda asked the Vietnamese ambassador to convey to Chairman Pham Van Dong his high regards and inquired after the Vietnamese people's national construction and the Kampuchean people's revival. He said, "The Vietnamese people have waged a long and heroic struggle against powerful imperialist forces and have won. Today, in their national construction and defence, the Zimbabwe people have learned a great deal from the Vietnamese people. We believe that the relations between ZANU and the Communist Party of Vietnam and between the peoples of Zimbabwe and Vietnam would further develop."

Earlier, on 3 September, Shamuyirira, Political Bureau member of ZANU Central Committee and minister of information and acting minister for foreign affairs, received Ambassador Nguyen Khac Huynh who briefed him on the contents of Foreign Minister Nguyen Co Thach's letter of 1 September 1984 addressed to the foreign ministers of various countries concerning the present situation in Southeast Asia. The Zimbabwe minister expressed his concern over the Southeast Asian situation and his joy at the revival of the Kampuchean people and promised to do his best to enhance the friendship, and the diplomatic, political, economic and cultural cooperation between Zimbabwe and Vietnam.

CSO: 4200/1040

INTERNATIONAL RELATIONS, TRADE AND AID

GDR'S HONECKER RECEIVES ENVOY'S CREDENTIALS

OW010903 Hanoi VNA in English 0703 GMT 1 Sep 84

[Text] Hanoi, 1 Sep (VNA)--Erich Honecker has reiterated the GDR party, government and people's solidarity, friendship, comprehensive cooperation with and consistent support for the Vietnamese people's revolutionary cause in the spirit of the treaty of friendship and cooperation between the two countries.

While receiving credentials from Vietnamese Ambassador to the GDR Tran Hoai Nam in Berlin on 30 August, Erich Honecker, general secretary of the Socialist Unity Party of Germany (SED) and president of the Council of State, informed him of the GDR people's big achievements in the year of the 35th anniversary of the GDR, and in successfully carrying out the resolution of the 10th Congress of the SED.

On this occasion, Tran Hoai Nam conveyed the warm congratulations of party General Secretary Le Duan and State Council President Truong Chinh to Erich Honecker and other GDR party and state leaders.

He thanked the GDR party, government and people for their support and effective assistance to the Vietnamese people's anti-U.S. resistance war for national salvation in the past and in national construction and defence at present.

CSO: 4200/1040

INTERNATIONAL RELATIONS, TRADE AND AID

BRIEFS

NEW AFGHAN ENVOY--Hanoi, 7 Sep (VNA)--Ambassador of the Democratic Republic of Afghanistan to Vietnam Abdul Wakil [name as received] today presented his credentials to vice president of the State Council Nguyen Huu Tho. Vice President Nguyen Huu Tho had a cordial conversation with the Afghan diplomat. Also present were Hoang Anh Tuan, deputy foreign minister, and Le Trang, deputy director of the office of the National Assembly and the State Council. [Text] [OW072006 Hanoi VNA in English 1514 GMT 7 Sep 84]

VFF DELEGATION IN HUNGARY--Hanoi, 7 Sep (VNA)--The delegation of the Vietnam Fatherland Front [VFF] Central Committee led by its Presidium President Huynh Tan Phat left Budapest on September 6 successfully concluding its friendship visit to Hungary. While there, Vice President Huynh Tan Phat was received by Karoly Nemeth, Political Bureau member and secretary of the Hungarian Socialist Workers' Party Central Committee. Karoly Nemeth warmly welcomed the fine development of the relations between the front organizations of the two countries and the Vietnamese people's successes in national construction. He assured his guest of the consistent support of the party, the government, and people to Vietnam. Huynh Tan Phat thanked the party, government and people of Hungary for their support and valuable assistance to the Vietnamese people's national construction and defence. Huynh Tan Phat also exchanged experiences in front work with leaders of the National Council of the Hungarian Patriotic People's Front and discussed with them further steps to enhance cooperation between the two front organizations. [Text] [OW072021 Hanoi VNA in English 1511 GMT 7 Sep 84]

GDR OFFICIAL MEETS HUYNH TAN PHAT--Hanoi, 8 Sep (VNA)--The president of the National Council of the National Front of the GDR, has reaffirmed the GDR people's full support for and solidarity with the Vietnamese people in socialist construction national defence. While receiving Huynh Tan Phat, president of the Presidium of the Vietnam Fatherland Front Central Committee, head of a visiting delegation of the front, in Berlin on August 8, Prof Lothar Kolditz also discussed with his guest experiences in front work and measures to develop the friendship and cooperation between the two peoples. [Text] [OW081758 Hanoi VNA in English 1559 GMT 8 Sep 84]

POLISH PRESS DELEGATION--Hanoi, 8 Sep (VNA)--Hoang Tung, secretary of the Central Committee of the Communist Party of Vietnam, received a delegation of the Polish United Workers' press review NOWE DROGI recently. The delegation, which visited Vietnam from 28 August to 7 September at the invitation of the COMMUNIST REVIEW of the Communist Party of Vietnam, paid a tribute at the

Ho Chi Minh Mausoleum and toured a number of economic and cultural institutions in Vietnam. The Polish guests were briefed on the latest developments in Vietnam by Dao Duy Tung, head of the Department for Propaganda and Training of the party Central Committee. The Polish delegation called on the editorial board of the COMMUNIST REVIEW. The two sides exchanged opinions on their tasks and their cooperation. [Text] [OW080913 Hanoi VNA in English 0724 GMT 8 Sep 84]

YOUTHS TO GDR, HUNGARY--Hanoi, 8 Sep (VNA)--A delegation of the Hanoi chapter of the Ho Chi Minh Communist Youth Union (HCYU) led by Luu Vinh Tri, secretary of the HCYU Central Committee and of the Hanoi chapter, has left here for Berlin to attend a fair of the Free German Youth League. The delegation will later participate in a friendly meeting of the youth of socialist countries' capitals to be held in Budapest, Hungary, to exchange experience on the youth work and prepare for the 26th world youth and student festival to be held in Moscow in 1985. [Text] [OW081806 Hanoi VNA in English 1551 GMT 8 Sep 84]

SOVIET-SRV FRIENDSHIP CEREMONY--Hanoi, 8 Sep (VNA)--A ceremony to wind up the 10 days of Soviet-Vietnamese friendship organized in honour of Vietnam's 39th National Day was held at a state farm in Naro Phominsk District, Moscow region Thursday. Present at the ceremony were member of the Central Committee of the Soviet-Vietnamese Friendship Society, the party committee of the farm, staff members of the Vietnamese Embassy and a delegation of the Vietnamese-Soviet Friendship Association (VSFA) led by Nguyen Ho, VSFA vice-president. Speaking at the function, V. P. Mosolov, director of the farm, praised the courage of the Vietnamese people in national construction and defence. On behalf of the farm personnel, he pledged to strive further for the strengthening of the friendship between the two fraternal peoples. [Text] [OW081647 Hanoi VNA in English 1459 GMT 8 Sep 84]

LAO ART TROUPE PERFORMANCE--Hanoi, 9 Sep (VNA)--Lao art troupe has made a performance tour of Ho Chi Minh City after attending the Vietnam-Laos-Kampuchea art festival held in the central coastal town of Nha Trang recently. Its performance program, particularly its folk dances was given a big hand by the audience. The troupe also gave performances in the Mekong Delta province of Cuu Long. [Text] [OW091521 Hanoi VNA in English 1445 GMT 9 Sep 84]

LAO, KAMPUCHEAN ART TROUPES DEPART--Hanoi, 9 Sep (VNA)--The Lao and Kampuchean art troupes left Vietnam yesterday after attending the Vietnam-Laos-Kampuchea traditional art festival held recently in the central coastal city of Nha Trang. While in Vietnam, they were warmly received by leading officials of the party and people's committees of Ho Chi Minh City and the southern provinces of Phu Khanh, Dong Nai and Cuu Long. They visited many historical relics and places of interest. They performed in Dong Nai, Cuu Long provinces and Ho Chi Minh City. Yesterday evening, empowered by the chairman of the Council of Ministers, Do Duy Lien, vice chairwoman of the Ho Chi Minh City People's Committee, conferred the friendship medal on sixty artists, actors and actresses of the two troupes in acknowledgement of their contributions to strengthening the friendship among the three Indochinese countries. The Ho Chi Minh City People's Committee also presented their guests with the city's insignias. [Text] [OW091525 Hanoi VNA in English 1455 GMT 9 Sep 84]

SRV ENVOY TO JORDAN--Hanoi, 9 Sep (VNA)--King Husayn Ibn Talal of the Hashemite Kingdom of Jordan recently extolled Vietnam's unflagging stance toward the struggle of the Arab and Palestinian peoples. When receiving the credentials presented by Vietnamese Ambassador Tran Van Thanh in Amman, the king also expressed his sympathy with the Vietnamese people's struggle for national construction and defence. He wished the friendly relations and cooperation between Jordan and Vietnam further development. Receiving the Vietnamese ambassador in Amman, Jordanian Foreign Minister Tahir al-Masri said: "Vietnam has waged a long struggle for national liberation, setting a bright example for the nations struggling for peace and national independence. The Jordanian people's support for the Vietnamese people was still little in comparison with their great sacrifices." [Text] [OW090800 Hanoi VNA in English 0730 GMT 9 Sep 84]

EDUCATION DELEGATION TO BERLIN--Hanoi, 10 Sep (VNA)--A delegation of the Ministry for Secondary Vocational and Higher Education, led by its vice minister Hoang Xuan Tuy left here today for Berlin to attend the 14th conference of higher education ministers of socialist countries to be held from 11-15 September. [Text] [OW101741 Hanoi VNA in English 1538 GMT 10 Sep 84]

HANOI, VIENTIANE MEDIA PACT--Hanoi, 10 Sep (VNA)--An agreement on cooperation for 1984-1985 between media workers of Hanoi and Vientiane was signed on 5 September during a visit of a delegation of the HANOI MOI (NEW HANOI) daily and the Hanoi Radio to the Lao capital from 27 August to 6 September. The delegation, led by Nguyen Hong Linh, editor-in-chief of HANOI MOI, visited several economic and cultural establishments in the Lao capital and attended activities in celebration of the 39th National Day of Vietnam. [Text] [OW100833 Hanoi VNA in English 0738 GMT 10 Sep 84]

STOP ARRESTING VIETNAMESE URGED--Hanoi, 10 Sep (VNA)--Tran Le Duc, acting director of the Third Asia Department of the Ministry of Foreign Affairs, today made a strong representation to Thai ambassador to Vietnam Montri Chalichan over Thailand's prevention of Vietnamese residents in Thailand from attending the celebration of Vietnam's National Day at the Vietnamese Embassy in Bangkok. The Thai authorities even took some Vietnamese into custody he pointed out. Tran Le Duc stressed that these acts of Thailand were gross violations of the lawful right of overseas Vietnamese and ran counter to the joint statement signed on 10 September 1978 by the two prime ministers concerning the Vietnamese residents in Thailand. The representative of the Vietnamese Foreign Ministry urged Thailand to refrain from similar actions in the future and to immediately set free the arrested. The Thai ambassador said he would report the Vietnamese protest to his country. [Text] [OW101549 Hanoi VNA in English 1536 GMT 10 Sep 84]

CSO: 4200/1040

ECONOMIC PLANNING, TRADE AND FINANCE

DO MUOI ADVOCATES PRODUCTION REARRANGEMENT, MANAGEMENT RENEWAL

Hanoi NHAN DAN in Vietnamese 15, 16, 17 Aug 84

[Article by Do Muoi: "Thoroughly Understanding the Resolution of the Sixth Plenum of the Party Central Committee; Rearranging Production, Continuing To Renew Industrial Management Apparatus"]

[15 Aug 84 pp 1, 4]

[Text] The Sixth Plenum of the Party Central Committee issued a resolution on "urgent missions in economic management improvement" which pointed out specific courses in rearranging production and continuing to improve industrial management. The mission of all sectors, echelons, cadres and party members in the central as well as the local areas is to thoroughly and profoundly understand the spirit and basic theme of the resolution in order to apply it in a truly satisfactory manner to actual practice.

Production Situation and Industrial Management

Five years have passed since the Sixth Plenum of the Party Central Committee, Fourth Term. During this period, illuminated by the Resolution of the Fifth National Party Congress of Delegates, several initial changes have been made in the production and industrial management of our country.

The Resolution of the Fifth Party Congress correctly acknowledged that the socio-economic position and true situation of our country at the present time are in the initial stretch of a transitional period of advancement toward socialism; from a universal small-scale production with "many elements, many technical standards, many scales of activity and many severe imbalances." From this acknowledgment, the fundamental principles of a new management apparatus were defined as, "a dynamic management apparatus able to eliminate spreading bureaucratic centralism and subsidization and properly achieve the principle of democratic centralism. The new mechanism that we apply must expand the rights of initiative of primary level units, local areas and sectors while simultaneously assuring that the central government retains firm control of all tasks and steps requiring management. The new management apparatus, using the state plan as the central element, must unceasingly elevate the position of the plan, give extreme emphasis to economic levers, apply market relationships, primarily the organized market, and resist tendencies to pursue the free market. The new management apparatus must stimulate innovation and ability, demand high levels of discipline and responsibility, overcome negative occurrences and establish socialist order."

During the past few years, carrying out the principles noted above, the Party Central Committee and Council of Ministers have issued many important resolutions and decisions aimed at substantiating policies applied to actual practice such as decisions 25-CP and 146-HDBT on expanding the rights of initiative in the business production of primary level units; 26-CP on the product contract system in industry; 133-HDBT on developing small industry and handicrafts; decisions on rearranging industrial production; policies on conservation, on scientific and technical development, on the management of materials, energy, prices, etc.

The achievement of these policies and positions has produced definite results in production as well as management. Many local areas and primary level units have developed a spirit of initiative and actively sought additional sources of raw materials and supplies to maintain and expand production, create additional jobs, increase incomes, alleviate difficulties in the lives of the workers and public servants and create additional sources of income for the budget. A number of units serving as pilot projects in management renewal have achieved good results.

Since 1981, despite extremely difficult conditions, initial steps have been taken to limit the situation of decline, industrial production has been maintained and a number of sectors such as food production, light industry, local industry, and small industry and handicrafts have shown a trend of fair development. Steps in production development during the past few years have proven that: the economy of our country still has many achievement capabilities and exploitable potential capabilities; if prompt and correct changes in direction are made and a proper economic structure is gradually constructed with a simultaneous proper management apparatus, strong development in the collective ownership rights of the laboring people and stimulation of the composite strength of the entire country, it will be possible to better develop those capabilities in the primary level units, the local areas and the sectors.

Nevertheless, the recent advances are only initial steps and are not yet uniform, strong or basic. Industrial production, especially that of the state-operated industry, is still encountering many difficulties and is developing slowly. The utilization of machine and equipment capacity is still low; labor productivity, product quality and economic effectiveness are poor; and production expenditures and products costs have increased.

The Fifth Party Congress decided that the policies of economic structure rearrangement and production reorganization were being implemented slowly, prolonging the situation of dispersal, top-heaviness and division between industrial production areas and failing to contribute toward the creation of a rational structure in each primary level unit, sector and local area and throughout the entire nation. Labor division and management decentralization were not being implemented in an urgent manner and many obstacles still existed.

The economic management mechanism, although partially revised, still bears a bureaucratic, subsidized and restrictive nature regarding the sectors, local areas and primary level units and has not yet created the conditions nor demanded that the primary level units, local areas and sectors strongly develop a

spirit of initiative and creativity in exploiting present potentials and capabilities; on the other hand, this mechanism also does not assure the extremely necessary and proper level of concentrated and united management of the central government, and has not yet halted and promptly overcome dispersed, negative, unorganized and undisciplined indications.

Plans still do not well-implement the central role of the management system and have not yet contributed toward production rearrangement or building a rational economic structure during this period. The state plan is restrictive, bears many subjective factors and is weighted down with administrative orders. Because the plan is not yet truly formulated from the primary level, it does not thoroughly exploit potentials and has not yet become a project of the laboring masses collective, the local area or the primary level unit. The plan lacks uniformity and strong balance, has not yet given attention to value planning or plans for using technical advances, and has not yet achieved unity between the three interests: the state, the collective and the laborer.

Economic accounting is still burdened with a formal nature, many uncorrected subsidization systems and regulations and unsubstantiated enterprise business production initiative and financial independence.

The economic lever policies still have many inconsistencies with both a restrictive aspect and loopholes. Many policies have not connected the responsibility with the power or the obligations with the interests of each sector, local area, primary level unit and laborer. Consequently, they do not have an effect of strong stimulation nor an effect of halting negative activities.

The management machine is still burdened with bureaucratic administration and lacks effectiveness; the mission functions, powers and responsibilities between sectors and echelons and between individuals and the collective are not clearly defined and there are too many junctions and intermediate levels with excessive staff elements; and work systems are not respected, the socialist legal system in management is not strict and labor discipline is lax. The evaluation and use of cadres in many cases is not yet accurate.

The strengthening and consolidation of socialist production relations has been slow; the socialist transformation of small industry and handicrafts at times has been lax; and state-operated industry has not yet developed a guiding role in the national economy.

There are still many difficulties in the lives of the cadres, workers and public servants. Applied methods are still being assembled and have not yet resolved a basis in both aspects of: assuring the essential requirements for labor strength reproduction and stimulating the full use of labor strength, increasing productivity and creating additional jobs in order to increase incomes.

The weaknesses and unresolved problems above are primarily due to the following reasons:

First, because we are building socialism from widespread small-scale production, the consequences of a protracted war have not yet been overcome, and we

must continue to cope with the plots of the Beijing imperialists and expansionists, the economy still has an extremely large number of difficulties, is extremely dependent on the outside and has serious imbalances which cannot be immediately overcome within a short time.

Secondly, sectors and echelons do not fully understand the economic renewal position of the party and state; a number of construction and promulgation policies are unsynchronized, there are still loopholes, achievement is not yet strict and discipline and the socialist legal system are not respected; and investigations and inspections lack regularity and firmness. This cause was confirmed by the Resolution of the Sixth Plenum of the Party Central Committee as, "Subsidized bureaucratism and tardy conservatism in the economic management mechanism and a spontaneous, dispersed, regionalized, unorganized and undisciplined situation."

Therefore, in conjunction with efforts to overcome great imbalances to promote production development and to create an active and balanced situation, we must continue to improve the management mechanism in accordance with the objectives and courses of the resolution issued by the Fifth Party Congress. The last plenum of the Party Central Committee set an important mission of using the primary level unit as the central objective, using the requirements for resolving obstacles in production and business of the primary level unit to reexamine the management of upper echelons and the state with the purpose of developing the collective ownership rights, spirit of creativity and enthusiasm of the laborer, fully utilizing every potential ability to create a new motive force in industrial and agricultural production, promoting socialist industrialization, developing business production in the proper direction with increasingly higher productivity, quality and effectiveness, establishing socialist order in economic management and gradually improving the lives of the laborers.

Viewpoints Requiring Full Understanding in Process of Rearranging Production and Improving Industrial Management

During the process of rearranging production and renewing the management mechanism in industry, the basic viewpoints of the party must be fully understood.

1. The collective ownership rights and creative initiative of primary level units, local areas and individuals must be developed in production and business, mobilizing the strength of the entire nation and thoroughly developing realistic potentials and capabilities.

At the same time, promote state management and economic administrative management as well as business production management agencies, uphold the concept of collective ownership and a concept of responsibility regarding the primary level units, maintain close contact with business production reality and promptly discover and resolve problems in the positions, policies and systems supporting production rearrangement and management improvement.

On that basis, achieve relatively rational and stable production rearrangement and reorganization, gradually create economic structures in accordance with the decisions of the party and state consistent with the capabilities and requirements of the immediate period, create favorable conditions for a base to effectively apply the new management mechanism aimed at production with increasingly

higher productivity, quality and effectiveness, strengthen and consolidate socialist production relations, improve the living conditions of the laboring people and achieve increasingly greater capital accumulation for society.

Also on the basis of developing the collective ownership rights, overcome from their very origin occurrences of dispersion, top-heaviness, arbitrary development, lack of an economic and technical base and economic ineffectiveness, all caused by localism and regionalism.

2. We must thoroughly understand the socialist industrialization line of the party, rapidly advancing the economy of our country from small-scale production with many economic elements and still low technical and professional standards to modern socialist large-scale production. This great revolutionary mission must also be achieved under conditions in which the economy is suffering imbalances in many aspects and is being surrounded and destroyed by the imperialists in conjunction with the Beijing expansionists.

Therefore, in production rearrangement, we must firmly control available forces and realistic capabilities at all three levels: the central, local area and primary level unit, and achieve synchronized reinforcement in order to develop the economy in accordance with the policy of: giving priority to the rational development of heavy industry on the basis of developing agriculture and light industry, from the very first coordinating industry with agriculture into a rational industrial and agricultural structure, specifically concentrating all forces on the important products and facilities of the national economy. Consider strong agricultural development as an immediate key mission but at the same time, develop the industrial sectors, especially those involved with energy, machinery, fertilizer, chemicals, transportation, etc., necessary for assuring the continued development of agriculture and light industry at a rapid rate and with increasingly higher economic effectiveness; develop the sectors processing grain, agricultural products and food to have sufficient strength to process all agricultural products in order to better answer domestic and export requirements while simultaneously increasing the effectiveness of agriculture and the income of the farmer and strengthening new production relations in agriculture; and develop the sectors producing consumer goods in order to acquire sufficient industrial goods to exchange with the farmers and to strengthen the industrial-agricultural alliance.

In management improvement, it is also necessary to thoroughly understand the socialist industrialization line. Specifically, we must strive to unceasingly raise productivity, quality and effectiveness, especially carrying out thorough conservation in order to, with our limited capabilities, still rapidly promote the rate of socialist industrialization and construction of the material and technical base of socialism.

3. The three revolutions must be promoted.

Under conditions in which the economy of our country in general and industry in particular still have many elements, arrangement must on one hand be aimed at fully utilizing every production force consisting of different economic elements, different technical standards and different sizes in all the territorial

areas to form a basis for the technical economic sectors to delve into specialization, both fully utilizing and rationally distributing production strength, and unceasingly raising the technical and professional standards of all sectors. On the other hand, the spirit of promoting improvement in coordination with construction, with construction as the primary element, must be thoroughly understood. We must strengthen and develop the socialist economy, first the state-operated economy; transform and rearrange small industry and handicraft production facilities in coordination with achievement of policies for assisting in the development of trades supporting agriculture, forestry and industrial production, construction, daily living and export, especially traditional trades and products with high economic effectiveness along a course of small industry advancing to modern levels and skilled handicrafts.

Briefly, production rearrangement and management improvement in industry must actively contribute to the successful achievement of the revolution in production relations in industry; causing socialist production relations to increasingly expand and become stronger and the socialist economic elements, of which state-operation is the key, to unceasingly expand and achieve high quality in order to occupy a guidance position and to develop an effect on the entire economy; and at the same time must fully utilize all capabilities and assist small industry and handicrafts to advance toward answering the requirements of production, life and export, assuring jobs for the craftsmen and creating conditions for shifting a portion of those engaged in private commerce to production in the process of transforming privately operated industry and commerce.

In production rearrangement and management improvement, we must firmly grasp the objective of creating conditions for achieving the technical revolution in all industrial sectors. The new structure in industry must be consistent with requirements for promoting the scientific and technical revolution, rapidly applying modern scientific and technical achievements and advanced experience in production and management of which the final results must be: production development and achievement of thorough conservation with increasingly advanced material expenditure and labor norms; and swiftly halting the situation of declining product quality, raising the quality of products both in state-operated industry and in small industry and handicrafts, and increasing economic effectiveness in business production.

Production rearrangement and management improvement must also be aimed at creating the conditions for promoting the cultural and ideological revolution at the primary level. Construction of the economic and technical sector with a relatively rational and stable organization will create conditions for the workers and cadres to maintain close contact with production, improve their knowledge and master technology and management; upholding a concept of discipline and a spirit of responsibility in production labor and expressing the fine nature of the worker class by standing firm in the face of difficulties in production and life and gradually overcoming needless negative occurrences.

4. The viewpoint of coordinating development of the creative dynamism of the primary level unit, local area and production laborer with a thorough understanding of the principle of democratic centralism must be fully understood. This is because: each advancement and achievement of the primary level unit,

local area and laborer is partially due to their creative dynamism but at the same time also originates from the correct economic line and policy of the central government, from the great strength of the central economy, and from the composite strength of the entire country. Therefore, in conjunction with expanding the right of initiative in business production of the primary level unit, it is also necessary to assure the concentrated and united leadership and management of the central government. These two aspects do not contradict but rather supplement each other, two aspects of one dialectical unity. The central government must absolutely control the key economic positions and most fundamental balances and must achieve concentrated and united management of the primary steps of socialist reproduction: crucial projects and facilities, important products and the policies and systems of a national significance. The stronger the central government, the more conditions are created for the local areas and primary level units to develop their potential capabilities. Conversely, the more the primary level units and local areas take the initiative in resolving the development of their own business production, the more capabilities are created for contributing to the central government and the more conditions are created for the central government to concentrate efforts on the major missions of a decisive significance concerning the national economy.

5. Use planning as the central aspect of the new management mechanism, coordinating planning with economic accounting and socialist business.

The basic requirement of continued renewal and strengthening of industrial management is elimination of the system of bureaucratic administrative management and subsidization and gradual construction of a new management mechanism on the basis of applying the economic laws in socialism in a manner more closely corresponding to the characteristics of the economic and social situation of our country at the present time. The principal results of this application must express the central role of planning in economic management, closely connecting planning with economic accounting and socialist business.

The plan must be the primary tool and lever of the management system with the purpose of stimulating production development, answering the consumer requirements of all society, assuring national defense and security and successfully achieving industrialization of the country.

With this spirit, the industrial plan must truly be the socio-economic development program of the party, substantiate the industrialization line and the mission of the three revolutions, and arrange and deploy the rational economic structure presented by the party during each period. The plan also represents the balances and methods aimed at most effectively utilizing every production factor and potential capability of the nation. The plan both assures achievement by legal norms of a compulsory nature and by economic methods and material and spiritual encouragement aimed at guiding every sector, echelon, primary level unit and laborer in striving to develop production in accordance with the proper objective and course of the plan, and in striving to achieve high productivity, quality and effectiveness. Consequently, the state plan must be balanced from all four capability sources and must be truly mastered by each echelon; and the plan must be closely related to economic accounting and socialist business.

Economic accounting is a unique economic management method of socialism. The substance of this method is based on the application of principles of economic accounting in which production and business units must calculate and increase economic effectiveness, assure completion of the state plan mission, and attain high income with the least expenditure.

Economic accounting is a fundamental factor of socialist business. Besides in socialist business, it is also expressed in the outlook of the business manager and in calculated methods of operations, knowing how to rapidly and effectively react to the market and to assure highly effective production and business with profit and without loss. Here is expressed the close coordination of the plan with economic accounting and with the market; and in the gentle application of economic laws under socialism, first of all the basic economic laws, planned economic development laws, conservations laws and value laws. In order to achieve this, as Lenin taught, "The communist must study business methods," and "must become a skilled businessman." The "skilled business" understanding here is civilized and scientific business aimed at returning the highest benefits to society, benefits suitable to the collective and the individual. Thus, socialist business is aimed at assisting to promote production and increase economic effectiveness while simultaneously contributing to the struggle with private commerce, the strengthening of market management and the stimulation of socialist transformation.

A correct concept of economic effectiveness under socialist production and business conditions is also necessary. This is the effectiveness produced by the results of production development, constantly reduced expenses, lowered costs and increased profits, and thanks to scientific and technical advances, production and management organization improvement, increased labor productivity, and the frugal and rational utilization of production factors. Correct economic effectiveness is also the result of creating new trade sectors and new products of high economic value with the possibility of replacing imported materials, creating conditions for increasing capital accumulation and continuing to expand production and improve the living conditions of the people. Therefore, every resourceful method aimed at increasing income thanks to price differences due to commodity exchanges which are not precisely in accordance with state stipulations is not legitimate economic effectiveness, is completely foreign to socialist business, and must be criticized and stopped.

6. Well-resolve the relationship between production and assuring the standard of living and between capital accumulation and consumption, promote production and thoroughly implement conservation.

Production and the standard of living, and capital accumulation and consumption are fields with a mutual cause and effect relationship in which production and capital accumulation are the basic factors with a decisive effect on the standard of living and consumption. Conversely, whether the standard of living and consumption are high or low has a direct return effect on production and capital accumulation. In the economic and social situation of our country at the present time, because production has not yet been strongly developed and the economic effectiveness is not yet high, the living standards of the people are still low, capital accumulation is small and consumption is limited while capital requirements for construction, industrialization and national defense are

increasingly larger. The basic and long-term method for satisfactorily resolving the relationship noted above is to promote production and conduct thorough conservation in every field of social activity. The guideline, "The entire nation conserving, every sector, every local area and every individual conserving" must be thoroughly understood.

While the state, collective and each individual must give concern to the good organization of living conditions as an urgent matter at the present time, efforts must be made simultaneously to fully utilize every available capability in order to resolve tasks, expand production, create many products, increase incomes and give special emphasis to the achievement of conservation.

Occurrences of corruption, waste, theft and destruction of social property, especially during the past few years, have become widespread with not a few cases of a serious nature. This fact indicates the need for strengthening education in a concept of conservation among the people, upholding a spirit of responsibility and discipline in production and work, and upholding the socialist legal system. The state must have policies for strengthening conservation management and guidance in production, distribution, circulation and consumption. In conjunction with the award and material encouragement forms, there must be forms of material compensation and severe punishment for incidents resulting in waste and damage of socialist property.

[16 Aug 84, pp 1, 4]

[Text] Promoting Production Rearrangement and Reorganization, Labor Division and Management Decentralization; Socialist Transformation in Industry

Production rearrangement and reorganization must be closely connected with labor division, management decentralization and socialist transformation; all three of these work aspects are closely related to and support each other in the achievement process.

The substance of production rearrangement is the rearrangement of production forces in industry. Therefore, it is necessary during the achievement process to closely follow the economic development position and line of the party and state, the sector development plan and present material and technical conditions with the purpose of creating a rational internal structure within each industrial sector and each primary level unit, between industry and agriculture and other economic sectors, between the central economy and that of the local area, and between all economic components; fully and well-utilizing available potential capabilities, stimulating production development, achieving high economic effectiveness and creating an active and energetic balance in production.

Industrial production rearrangement must concentrate the production conditions in the country, actively mobilize import capabilities and practice thorough conservation (first of all the conservation of electricity, gasoline, oil and raw materials) in order to produce the most important products with priority given to the state-operated facilities with stable production conditions and the highest economic effectiveness. The rearrangement of local and central state-operated enterprises, small industry and handicrafts will overcome the

situation of dispersion, division and top-heaviness. Primary level units without the conditions for production in accordance with the planned mission must be assisted in changing their production course and product plans with the purpose of most favorably maintaining and utilizing the available production capabilities, maintaining a source of goods for supplying society and maintaining the livelihood of the cadres and workers. Determinedly dissolve those primary level units unable to assure effective production, with protracted deficits and without a future.

Industrial production rearrangement must be carried out in accordance with the economic and technical sector in coordination with rearrangement on a territorial position comprised of economic components, production scale and technical standards.

Based on the stipulated function and mission, each enterprise must decide a proper production course and suitable product plan; rearranging crafts and supplementing and readjusting machinery and equipment in order to synchronize production assembly lines; and reorganizing the management apparatus for orderliness and effectiveness in order to assure production and business efficiency.

Avoid a tendency of arbitrary arrangement relying only on the ability to balance superficial machinery; and at the same time, avoid a tendency of pursuing only production and new development when all available potential capabilities have not yet been fully utilized.

Production rearrangement is a difficult and complex task but must be completed within a short time. It therefore demands the overall efforts of all sectors, local areas and primary level units under the close and specific guidance of the State Planning Commission.

Production Reorganization

Some requirements of production reorganization are to clearly define the role, responsibilities, powers, obligations and rights of production units; to develop the dynamic initiative of primary level units in order to effectively work; and to reexamine organization forms in echelons above the primary level and the expansion of cooperative relations in production and business activities.

1. The enterprise is the basic economic unit of industrial production and the location producing material and spiritual products, where party and state line is daily and vividly expressed, and where the three revolutions occur, lead by the party mechanism, controlled by the laboring people and managed by the state. Therefore, strengthening and reorganization of primary level units is a foremost mission of all sectors and echelons in the process of production reorganization.

The enterprise must be constructed into a collective organization of laborers in complete control with the responsibility for unceasingly expanding and developing production, improving and renewing technology, raising organization and management standards, increasing labor productivity, reducing costs, raising product quality, and raising capital use effectiveness in order to complete

and surpass state plan norms, on that basis raising the standard of living and improving the labor conditions of the worker and public servant.

The enterprise must truly operate in accordance with the principle of financial autonomy, self-responsibility in production and business and self-payment of expenses, have profits and a full juridical status and be able to settle accounts directly with the state fiscal budget and bank and other economic units; and the enterprise must be able to form its own working capital and to carry out the economic accounting mechanism.

The enterprise must self-formulate and organize achievement of its own economic and social development plan under the guidance and management of upper levels. The activities of the enterprise must be extremely dynamic and be comprised of all the tasks of market and price studies, research in the application of scientific and technical advances and medium and small-scale capital construction investment, especially in depth investment with self-acquired and borrowed capital; and trade and sign economic contracts with other economic units for material supply and product consumption (including with foreign countries when permitted). On the basis of important products assigned in accordance with the mission of the state plan, the enterprise may take the initiative in defining the commodity structure and expanding the production of goods in excess of the legal norms precisely in accordance with the economic development objectives of the party and state.

2. Federation forms in production such as enterprise federations, joint enterprises, joint agricultural-industrial enterprises, corporations, general corporations, etc., the enterprise upper level management units conducting independent economic accounting, must be improved, streamlined and constructed in strict accordance with the actual conditions of production and management, and in accordance with many versatile forms and sizes without inflexible rigidity.

Based on recent production organization experience and present requirements, the federation forms in industrial production must be reexamined. Establishment of federation forms must be based on production and management effectiveness. Resolutely eliminate forms and organizations that turn the federation into an intermediate administrative step which does not undertake the function of organizing internal federation business production and economic accounting but instead causes trouble for the primary level unit.

Federations in production are organized based on the permissible objective requirements and conditions of each sector and consist of the following multifaceted forms:

Federation in depth is established on the basis of enterprises operating in accordance with craft regulations or a process of continued and fixed production such as: raw material exploitation--processing--product consumption; blank formation--machine manufacture--assembly, etc.

Federation in breadth comprises enterprises together producing the same fixed type of product in the same sector.

Federation between production and science consists of enterprises and scientific research institutes with independent economic accounting.

During the achievement process, forms of joint federation consisting of production units from many different sectors often appear.

In size, two primary types are possible: the federation of enterprises or the area joint enterprise and the federation of enterprises or the national joint enterprise. The establishment of a national level production federation requires careful study and can only be applied to sectors truly having critical requirements such as post and telegraph communications, aviation, sea and railroad transportation, etc. Under conditions at the present time, the consistent and universal forms of production federation are the federations of area or local enterprises.

Joint enterprises and central enterprise federations must become strong economic organizations with sufficient conditions for resolving the requirements of production (such as repair, the production of specialized use spare parts, the application of scientific and technical advances, worker training, etc.) in order to most favorably achieve the reproduction process.

3. Expanding Forms of Business Production Unity in Industry.

Recently, many developed forms of business production unity have actively contributed to production stimulation, especially in turnover and redistribution of supplies and raw materials, synchronization of production capabilities, expansion of investment in production and technical equipment, etc.

The direction forward is based on an economic and technical sector development plan to expand, develop and diversify the forms of business production unity through economic plans and contracts aimed at developing the active aspects of this formula, especially in the fields of raw material area construction, investment, research and application of new technology, plan design, imports and exports, supply and consumption, etc.

Business production unity can be carried out within sectors, between sectors, between sectors and local areas, between local areas, between economic components, etc., aimed at an objective of most efficiently using available material and financial sources.

Business production unity can also be carried out through the organization of production and satellite groups in relation to each trade sector with the participation of economic components (state-operation, collective, private-operation and individual) and a leading state-operated enterprise serving as the chairman.

Processing enterprises can unite with cooperatives and production collectives to expand the production of raw materials by: increasing cultivated area and output; investing in preliminary processing steps and lower level technological and social levels in order to serve the overall needs of participating units; accepting production contracting for units with raw materials and supplies, etc.

Small industry and handicraft production facilities accept contract work or align their production with a state-operated industrial enterprise in order to produce and sell semifinished products and product components, and to supply spare parts, supplementary materials and wrappers to the state-operated enterprise on the basis of an economic contract.

Production enterprises can unite with production trade organizations such as materials, transportation, imports and exports, etc. in order to promptly answer the requirements of business production.

Primary level production and business units can unite with schools and research institutes or centers to promote research and apply scientific and technical advancements to production.

All forms of business and production unity are achieved by economic contracts, are expressed in the plan of the primary level unit, assure achievement of the state plan, assure the interests of the signatories and must be strictly executed.

Incorrect methods of "unity" must be criticized such as: simply pursuing trade and driving prices up to collect the price differences, and withdrawing supplies and commodities from the state plan for "external plan" unity and to enjoy high prices; failing to respect product delivery discipline in order to achieve external plan "convection" and to reduce the collection of obligations for the state budget; unity which follows business means to pursue the market mechanism, disrupt distribution and circulation, etc.

Labor Division, Management Decentralization

Labor division and management decentralization in industry must use social and economic effectiveness as a basis for strengthening and consolidating economic and technical sectors, assuring strict compliance with the major principles and policies of the party and state, and assuring that the central government maintains firm control of the major balances while the local areas and the primary level units develop their strengths and initiative to create complete balances.

Labor division and management decentralization must originate from the requirement for building a rational economic structure between sectors and between the central and local economies.

It is through labor division and management decentralization that we clearly define the functions, responsibilities, powers, obligations and rights between sectors and between the central government and the local areas and the primary level units in management. Sectors and echelons also have responsibility and concern for production and life, and also enjoy an appropriate ratio of the rights and results of production.

Management decentralization between sectors must follow the principle of economic and technical sector specialization aimed at unceasingly raising professional, technological and production skill standards consistent with the management capabilities and standards of each sector.

Specialized sector ministries must directly manage the main force production units of the sector and provide state management for those production units within the sector but subordinate to the management of other ministries or local areas.

Management decentralization between the central government and the local areas and primary level units must be achieved in two aspects: management function decentralization and management objective decentralization.

Management decentralization according to function:

The ministry carries out a total economic and technological sector management function comprised of primary level units under central and local management in the state-operated, collective and individual economic components. The function of the ministry is expressed in the following aspects:

- Holds discussions with concerned local areas and sectors to formulate strategy for sector development, basic investigation, production force distribution, projects and planning, and the formulation of investment, economic, management, scientific and technical, cadre, import and export, and production consumption policies; and the construction of a basic technical supply and trade system for the entire sector.

- Provides guidance and inspection of promulgated plan and system policy achievement.

- The investment and development planning of the ministry at the provincial and municipal level must have the participation and opinions of the province and city.

The province and city perform a state management function for the primary level units of the local area and central government which are located within the local area as expressed in the following aspects:

- Directly build and manage primary level units subordinate to the local area.

- Participate by offering their opinions to the ministry in economic and technical sector management in order to formulate the policies and plans of sectors in the local area, and to inspect and supervise the achievement of those plans and policies.

- Carry out an assigned supply and trade mission for production and life, protect socialist property, protect production, protect the environment, inspect compliance with management policies and systems, laws, etc.

- Build and consolidate the party and mass organizations of the primary level business production units located within their area.

In principle, the investment projects of provinces and cities must have the opinion of the ministry managing the specialized sector before presentation to the State Planning Commission and the agencies with approval authority with the

purpose of assuring unity and concentration in economic and technical sector strategy, projects and plans on a nationwide scale.

With this dual management principle, chairmen of the provincial and municipal people's committees join the minister in taking joint responsibility according to their function for units in their area not completing their assigned mission or vice versa, including those under direct central or local management.

Management decentralization by objective, that is assigning direct management of a primary level unit to the ministry or local area, must be based on many factors: social economic effectiveness, scale of activity, product importance, technical and management standards, etc. in order to achieve the highest objective of unceasingly developing effective production and strengthening the economic and technical sector. With this viewpoint, it is possible to accomplish decentralization as follows:

Central management: Important, key and large facilities with complex technology, high economic value and a large source of income for the fiscal budget, totally dictating the national economy or that of many regions and local areas in the aspects of production, life, exports and national defense such as major primary level units of the electric power, coal, natural gas, machinery manufacture and metallurgy sectors, electronic, basic chemical, fertilizer, insecticide, cement and pharmaceutical industries and area or nationwide enterprise federations: paper, cloth, tea, sugar, wine, cigarettes, vegetable oil, etc.

Provincial and municipal management: state-operated facilities outside the purview of central management, collective and individual economic facilities, the trade facilities for production and life, lower level structure facilities in the local area, facilities doing contract work for the central government and for export, and trade sectors of a traditional nature which are the strength of the local area.

The province and city decentralize management functions and partially assign facilities to precincts and districts, assuring that the precincts and districts develop a spirit of initiative in building and supervising comprehensive achievement of the plan within their area; assuring that subordinate facilities achieve the right of business production initiative and financial autonomy; and gradually forming district level agricultural-industrial economic structures.

Socialist Transformation of Small Industry and Handicrafts

The Political Bureau of the Party Central Committee has had a resolution on this task which emphasized the principle that transformation must be closely connected with construction, construction being the primary aspect. It is necessary through socialist transformation to develop the guidance role of state-operated economy while simultaneously actively assisting and guiding collective and individual economic development in accordance with overall planning and the objectives of the state plan.

Socialist transformation must be closely connected with production rearrangement by economic and technical sector, defining from realistic capabilities in

technical equipment and management standards the appropriate forms and sizes of collective production organizations. The definition of state trade sectors requiring unified management such as the printing, western drug, etc. sectors, and state trade sectors stimulating small industry and handicraft development is aimed at fully utilizing the capital and technical capabilities of all economic components.

While implementing cooperativization, economic, administrative, educational and organizational methods must be skillfully coordinated in order to encourage the small industry and handicraft producer to participate in collective work precisely in accordance with the principle of "voluntary, democratic, and joint benefit."

In conjunction with promoting the cooperativization of those still engaged in individual work, we must improve and strengthen the present cooperatives and develop the collective ownership role of the cooperative member in order to develop production, increase labor productivity, raise product quality, lower costs, improve the standard of living, strengthen the welfare of the cooperative member and constantly develop the superiority of the collective economy over the private and individual economies. Strive to overcome the negative occurrences violating state policies and systems and determinedly dissolve the cooperatives in disguise and those engaged in illegal activities.

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[Text] The Theme of State-Operated Industrial Management Mechanism Renewal

This plenum of the Party Central Committee asserted the need for strongly developing initiative and creativity, expanding the powers and responsibilities of the primary level unit and achieving a socialist economic management mechanism. This mechanism uses planning as the central aspect, closely connecting planning with socialist economic accounting and business. The theme of state-operated industrial management renewal is the need for substantiating the above course in the following aspects: planning, economic accounting and economic level policies, etc. in one synchronized and highly effective mechanism.

1. Planning renewal.

Management in accordance with a plan is an activity with the regulatory nature of socialism. In the industry of our country at the present time, small-scale production is still widespread but state-operated industry has firm control of the key sectors and has an important position in the national economy. Therefore, the state plan has become the center of the industrial management system and the perfection of planning in state-operated industry is an extremely urgent mission.

Concerning this problem, the Fifth National Party Congress of Delegates and the subsequent plenums of the Party Central Committee issued a number of important guidelines as follows: closely connect planning with socialist economic accounting and business and coordinate planning by sector with that by local area and territory; carry out three-level plan control; balance planning on the

basis of four capability sources and expand the planning initiative of the primary level unit, etc. Nevertheless, these correct viewpoints have not yet been fully understood in management activities.

This plenum of the Party Central Committee emphasized the central role of planning while simultaneously pointing out the specific methods for more strongly improving the planning mechanism in accordance with the guidelines above to assure consistency with the present situation.

Planning by state-operated industrial enterprises has an especially important position consistent with the role of a primary level economic unit in industrial production.

Parallel with expansion of enterprise collective ownership rights during the process of formulating and executing plans, this plenum of the Party Central Committee also emphasized the responsibility and obligation of the enterprise to the entire national economy as well as to itself in developing the enterprise and the lives of the laborer collective in the enterprise.

The enterprise plan is defined as a united production-technology-finance plan which cannot be divided into separate plan parts; and within the enterprise plan, unity is assured between the interest aspects: the state, the enterprise and the laborer. To balance its plan, the enterprise is encouraged to develop creative dynamism in expanding socialist business production cooperation in order to thoroughly exploit the four capability sources as pointed out by the Third Plenum of the Party Central Committee, Fourth Term,; not relying on the sources of materials, energy, etc. supplied by the state.

To assure that the enterprise plan both expresses the objective course of the state plan and has a realistic base, each enterprise must actively formulate its own total economic and social development plan (consisting of both material and value plans) in accordance with the guidance and the economic-technical-financial information of upper echelons sent down at the beginning of the plan, and on the basis of thoroughly exploiting the four capability sources. To assure close coordination between the enterprise and higher level agencies during the process of formulating the plan in accordance with the shortest procedure, and to assure that the plan is constructed and consolidated from the ground up in an active and firm manner, the plan formulation procedure may be applied following four steps:

- The State Planning Commission and higher level planning agencies deliver guidance and economic-technical-financial information to the primary level unit.

- Primary level units self-formulate and report to upper echelons their own unified production-technology-finance plan on the basis of thoroughly exploiting balanced capabilities from four sources.

- The state assigns legal norms to the primary level unit and defines legal external plan norms as registered by the primary level unit.

- On the basis of the assigned official plan, the primary level unit adds more plan missions if new balance capabilities appear during the process of plan

achievement and reports to upper echelons in order to consolidate these additional missions with the overall plan (consisting of products in excess of the legal norms). To expand the right of initiative of the enterprise in plan formulation, the legal norms are simple and short. However, to guide the enterprise in following the overall orbit of the state plan, to assure the primary balances of the national economy, to assure that the enterprise carries out the socialist business principle, actively applies scientific and technical advances, practices conservation, achieves high economic effectiveness, does not arbitrarily pursue high-profit commodities and does not operate regardless of cost, the following legal norms will be applied to state-operated industrial enterprises:

- Commodity output value achieved (a portion for export).
- Products delivered (a portion for export) in accordance with quality norms stipulated in the contract.
- Production cost reduction level.
- Profits and budget deposits.
- Primary materials supplied by the state.

The other norms such as labor productivity increase levels, general salary funds or salary expenses per product unit, capital utilization effectiveness, etc. are all guidance norms. Nevertheless, the enterprises must give extreme concern to these norms because they are intimately related to the legal norms stipulated by the state.

It is important that every plan norm has an economic and technological base, and that material and technical attrition norms be properly calculated and be approved by the authorities.

The planning renewal this time must give special emphasis to substantiating the principle of closely connecting the plan with socialist economic accounting and business. The state demands that the enterprise calculate the economic effectiveness from the very selection of a product plan, and have a firm grasp of material balance capabilities and production consumption requirements through economic contracts signed immediately upon entry into production.

In the plan, it is necessary to express the highly regulated nature of products important for production, life, export, national defense and influencing the major balance relations in the national economy such as: electric power, coal, gasoline and oil, machine products, basic chemicals, export products, important consumer goods, etc. The state concentrates on balancing the necessary conditions: materials, energy, capital, credit, transportation, etc. for the production of these products while simultaneously encouraging primary level units to exploit additional materials from other capability sources in order to self-balance and supplement the source of materials supplied by the state to produce in excess of the legal norms. Specifically, regarding the portion of products in the legal norms counterbalanced by material sources self-located by the enterprise, the enterprise may conduct cost accounting at the true material purchase price, use part of the products (as recorded in the plan) as a medium for

obtaining production materials, and enjoy a higher percentage of the profits compared with the products counterbalanced by material sources supplied by the state to appropriate enterprise funds.

It is possible to state that with the above stipulations, the resolution of the Party Central Committee plenum has coordinated state laws with economic levers in an extremely harmonious manner in order to stimulate achievement of the state plan for essential products and has harmoniously coordinated the three interest aspects: the highest interest of all society is to assure production of essential products in an unbalanced economic situation; the interest of the enterprise is to complete the assigned plan; and the interest of the workers and public servants is for enterprise funds to be appropriated at a higher level and for their material and spiritual lives to have conditions for further improvement.

In order to increase the amount of products for society and create initiative for the primary level unit, the state allows and encourages enterprises to exploit every potential capability to produce products in excess of the legal norms. The state guides the production of these products not by administrative methods through the stipulation of legal norms but primarily through a system of economic levers such as credit; prices; material, equipment and energy wholesale policies; rent policies; product consumption policies, etc. The state will create favorable conditions for the enterprises to operate precisely in accordance with the objectives and course of the state plan, to properly achieve the socialist business principle and to achieve high economic effectiveness. The production mission of these products is also expressed in the plan as registered by the enterprise at the beginning of the year but readjustment is possible during the achievement process depending on the actual situation of exploiting capability sources.

Although planning standards are still low, we must gradually implement the long-term development plan estimates of the primary level unit, first of all formulating an annual supplementary plan and advancing toward formulation of a 5-year plan course divided into plan missions for each year in order to assure the planning continuity and system.

In renewal of the planning mechanism, the effectiveness of economic contracts must be raised in the formulation phase as well as during the process of plan achievement; through economic contracts, closely connecting the plan with the market and, on the other hand, assuring the reality and solidity of the plan. Long-term forms must be encouraged in economic contracting with the purpose of strengthening socialist cooperative relations between economic units.

The activities of economic arbitration must be promoted in every aspect aimed at assuring that the economic contract system is strictly implemented. The contract parties have the same juridical nature without differentiation between the supply and trade agency and the production facility, or between the state-operated or collective economic component as all are required to make material compensation when violating the contract. Economic arbitration must primarily use prevention, firmly coordinating with inspection and investigation to assist in alleviating production difficulties and to assist the primary level units in

correcting shortcomings in execution of the contract system; and at the same time, promptly handle violations and incidents in accordance with the socialist economic legal system.

Renewal of the planning mechanism demands that responsible agencies improve economic information work aimed at assuring that necessary information such as prices, material sources, consumption markets, etc. promptly and regularly supports plan formulation by the primary level unit. On the other hand, it is necessary to uphold responsibility and discipline in strictly achieving the system of regular plan, accounting and statistics reports at all levels of management.

The State Planning Commission in conjunction with the ministries and general departments must well-consolidate the national industrialization line of the party into an industrial development strategy, formulate long-term development plans and essential objective programs, decide essential plans for applying scientific and technical advances, essential economic and technical norms, etc.

The state plan must truly consolidate the plans of all sectors and echelons into a major material and value balance, primary norms and achievement methods; while simultaneously actively and dynamically rearranging industrial production and building a rational industrial structure in relations with other national economic sectors as well as within industry to create favorable conditions for plan achievement.

Responsible ministries must formulate plans for their entire sector, consolidating the plans of primary level units under direct ministry management and the plans of primary level units in the same sector but under the management of local areas and other ministries.

Cities, provinces and districts must formulate total industrial development plans within their area consisting of the industrial plans of the local area and the economic and business development plans of units under central management but located in the local area. These plans must have a thorough understanding of the principle of priority coordination of management and development by economic and technical sectors with development of the strengths of the local area in labor resources, etc. aimed at creating a rational and highly effective development structure.

Regionalism and localism must be overcome. A ministry giving concern only for the plans of subordinate primary level units; and a local area concerned only about that part of the economy under its direct management create a dispersed, divided and top-heavy situation which has been criticized by resolutions of the Party Central Committee.

2. Economic accounting and economic lever policies.

This plenum of the Party Central committee emphasized economic accounting as a socialist management course which must be thoroughly applied for all primary level production and business units. The theme of economic accounting is application of the principles of financial autonomy, the self-payment of all

expenses, and suitable profits and distribution to assure proper coordination between the three interests of: society, the enterprise and the laborer. Economic accounting must be achieved on the basis of compulsory economic and technical norms. Each sector must take the advanced average norm of the sector as a base. During the 2 years of 1984 and 1985, the state, sectors, local areas and primary level units must reexamine the promulgated norm system, implement the necessary corrections or additions, and analyze the causes for expenditures in excess of norms in order to present methods of overcoming the problem. Norm establishment must be well done in order to have a basis for carrying out economic accounting, evaluating the production and business effectiveness of each unit and of the entire industrial sector, and striving to overcome a situation of management laxity, arbitrary work and negative actions. It must be clearly understood that this is the mission of foremost importance in management improvement in the near future, an arduous struggle between subsidized operations and those with economic accounting, and between a hired hand ideology and the collective ownership concept of the laborer. This work can only be done well on the basis of coordinating the management methods of the state with high development of the collective ownership spirit of the cadres and workers in the primary level unit, and appropriate encouragement and praise for conservation in comparison with the norms.

In order to strengthen economic accounting, a concept of discipline must be upheld in accounting, auditing all production expenditures in accordance with the policies and systems of the state, eliminating invalid expenditures and striving to reduce production expenditures per product unit; and resisting every arbitrary action to raise prices and inflate costs without foundation. The state bookkeeping system must become law to the business and production organizations along with simultaneous strict achievement of the financial inspection and investigation system of the state.

Bringing the value of fixed assets and still external salary expenses into production costs must be done in order for prices to more fully reflect value, to more correctly evaluate the effectiveness of production and business, and to overcome present inconsistencies in distribution relations. This task must be calculated carefully and accomplished in a gradual and firm manner.

Socialist business demands dynamism and sensitivity by the manager in production and business activities.

Consistent with the new planning mechanism, the enterprise is able to account for those materials which are self-balanced by the enterprise (not designated as a state business monopoly) under production expenses at the true purchase price and to enjoy a higher enterprise wholesale price, sufficient to rationally compensate for actual expenses and to make a profit. However, each sector and unit must thoroughly understand the ideology of planned, guided and organized business, overcoming a situation of trade competition, deviation from the plan and arbitrary elevation of market prices.

The new theme of socialist planning, economic accounting and business must be expressed through economic lever policies aimed at stimulating enterprises to strongly develop a spirit of creative initiative in business production, financial autonomy, self-payment of all expenses and acquisition of profit aimed at a final objective of achieving the highest output, quality, productivity and effectiveness.

Enterprise financial policies are renewed following a course of creating conditions for the primary production units to build their own working capital comprised of Vietnamese currency and foreign exchange and both monetary and material capital in order for the enterprise to take the initiative in business production and in achieving the financial autonomy system of the enterprise.

The working capital of the enterprise is formed from profits, capital depreciation deductions left for the enterprise, major repair depreciation and other collection sources. The enterprise has the right to take the initiative in using these sources of working capital in capital construction investment objectives (primarily in-depth investment) to expand business production, make major repairs, perfect technology, construct public welfare projects, etc., or to combine the capital with other economic units in joint profitable production and business activities.

The state will stipulate systems of forming sources of concentrated capital in enterprise federations or ministries in order to create conditions for these management levels to take the initiative in regulating and mobilizing capital in the concentrated development objectives of the sector and simultaneously to gradually establish an accounting relationship between management echelons.

The new mechanism will advance toward elimination of the subsidization system in capital construction investment capital as well as that of circulating capital for the enterprise; with the demand that the enterprise use its working capital or that borrowed from the bank for medium and small capital construction projects as well as for requirements to further increase circulating capital when expanding production. The state will only issue capital for major projects, special circumstances, etc.

The state-operated collection system will be improved along a course of assuring fixed collection sources for the fiscal budget in each product type for which enterprise production costs and wholesale prices have been set, not depending on the annually achieved production cost level of the enterprise.

Credit policies must become an important economic lever in promoting the development of industrial production.

Concerning the bank: in conjunction with satisfactory achievement of a state management function in the aspects of fiscal settlement and control, the bank must expand credit (both in scope and objective) to state-operated industrial enterprises and assure the necessary volume of credit aimed at supporting and stimulating production and business; increasing loans to improve technology, rationalize production and expand the production of essential commodities, and making loans for the application of technical advances and investment in medium and small-scale capital construction of high economic effectiveness and rapid capital recovery.

Credit policies are applied with discrimination by production sector, product type and use objective in order to direct the operations of the enterprise precisely along the course objective of the state plan.

Credit interest rates must be applied in a flexible manner: favorable interest rates are aimed at stimulating borrowing to carry out production and business activities of benefit to the national economy and of high economic effectiveness for the primary level unit; interest rates bear a penalizing nature for cases in which debts are not paid on time and enterprises must make deductions from their profits to pay these penalties, not placing them under production costs.

Concerning the procedural aspects, conditions must be created for the enterprise to conveniently borrow and withdraw capital; the bank must follow and manage to assure that the loaned capital is used for the proper objective and with effectiveness but cannot intervene too deeply in the enterprise's right to use the capital.

Besides loans in Vietnamese currency, the State Bank also makes foreign exchange loans to enterprises with sufficient stipulated conditions for importing supplies, raw materials, fuel, spare parts, machinery and equipment needed for expanding and improving production, especially that of export goods, contract production for foreign countries, production of goods to replace those which must be imported, etc.

The enterprise must strictly execute the credit systems, use borrowed capital for the precise objective and effectiveness and make payments on time. From now on, achievement of the fiscal management and credit systems must be a standard for openly appraising plan completion and splitting enterprise funds.

Concerning prices.

An important mission of primary level production units during the process of achieving management mechanism improvement is proper auditing of and efforts to reduce production costs. Production costs must be calculated before a basis exists to properly set industrial product prices, before business and production effectiveness can be defined, before distribution of the national income can be properly distributed between accumulation and consumption and between the state, enterprise, worker and public servant, and before we can define the objective and course of efforts to lower production costs in order to increase accumulation from within the national economy and to continually improve the living conditions of the workers and public servants. To the state, this is a matter of extreme importance because the pure income concentrated from state-operated industry accounts for a large proportion and is constantly increasing in the domestic collection sources of the state fiscal budget.

It is necessary to overcome a fairly widespread deviation at the present time of not giving concern to the calculation of production costs, or only making a form of generalized calculation in which production expenditures fail to follow the norms, the supervised prices or the directed price framework, the substance is "real expenditure, final payment," and product components are sold at about the market price, using the price difference as a profit for the enterprise.

Industrial product costs must be accounted for on the basis of properly calculated norms in material attrition and labor expenditure approved by agencies

with jurisdiction and following a course of striving for previously attained progressive norms. The cost of material introduced to production is treated in accordance with the material source. Trade materials supplied by the state are accounted for by the state supervised price. Trade materials located by the enterprise (not designated as a state monopoly) are accounted for in accordance with the true purchase price following the price framework or with the guidance of the commodity price agency with jurisdiction.

All wages, capital depreciation and import value and receipts must be fully accounted for in production costs.

Fines which the enterprise must pay for violating the credit system and economic contracts, losses and other expenditure items due to management shortcomings are not accounted for in the production costs but must be paid from the profits of the enterprise.

Unreasonable and invalid expenditure items also cannot be accounted for in the production costs and are accompanied by presentation and resolute achievement of methods to eliminate the causes for those expenditures.

With a theme such as that above, accounting for production costs in industry in substance is a struggle to overcome subsidized and bureaucratic administration, management laxity and pursuit of market prices while establishing true economic accounting and socialist business procedures. It is an arduous struggle, especially during the present situation in which the economy is still suffering a serious imbalance and prices are still strongly fluctuating. However, with the new realization of sectors, echelons and primary level units, with synchronized achievement of the methods to improve economic management presented by the Sixth Plenum of the Party Central Committee, and with development of the spirit of collective ownership of the workers and public servants striving to achieve rational production expenses from their very entry to production, it is surely possible to calculate production costs in an increasingly more rational manner.

On the basis of rationally calculated and approved product production costs, enterprise wholesale prices will be stipulated using the advanced average production costs of the sector and a suitable profit level of the enterprise as a foundation. For one product type, it is necessary to stipulate enterprise wholesale prices with discrimination aimed at encouraging the application of scientific and technical advances, material and energy conservation, elevation of product quality, creation of new products, and restriction of products of too poor quality with special attention given to encouraging spare parts production and repair support.

When delivering products, enterprises are paid at the enterprise wholesale price. Therefore, the profit that the enterprise actually enjoys will be dependent only on the scale of the production development, productivity, quality and effectiveness of the enterprise.

The present state-operated collection system which relies on a basis of actual difference between the industrial wholesale price and the enterprise wholesale price will be improved along a course of stable collection sources for the fiscal budget for each product type for which production costs and an enterprise wholesale price have been set, not dependent on the product cost levels achieved annually by the enterprise.

The majority of collection items due to price differences in accordance with state policy must be concentrated in the state fiscal budget, including that portion which must be paid to the central budget.

Labor, wage and cash award policies:

Providing an income for the industrial laborer is an urgent problem at the present time. The direction for solution of this problem in the near future will be to assure the labor strength reproduction of the wage earner.

The state will apply resolute and active methods to assure a realistic income for laborers such as: reforming and managing the free market; better achieving the system of quantitative supply on the basis of promoting production and strengthening purchases with goods sources controlled by the state, reserving commodity funds and well-organizing supply in order that stable wages will be assured a system of supplying essential commodities which make up for a major part of the wages of the worker and public servant; implementing high cost of living subsidies in accordance with the cost of living index during each period in each region; achieving state guidelines in which the enterprise and workers plan together the lives of the workers and public servants; giving concern to the promotion of production to create additional jobs, organization of additional secondary trades in the family, organization of daily service, etc.

The new mechanism demands full understanding of the principle of distribution in accordance with labor, gradually eliminating methods of subsidized average salary payments regardless of productivity, quality and effectiveness.

Enterprise directors must expand forms of piece rate and piecework wages among the shops, teams, units, and laborers. Within the framework of the wages earned in relation to the volume of products produced, the director has the authority to select forms of wage payment and awards in accordance with state policies and systems, including salaries and awards for the management cadres and the scientific and technical cadres of the enterprise. The enterprise director is assigned the management of wage funds and salary payment must be closely connected with the labor results of each individual.

The state will promote readjustment of order in the wage system to assure a rational comparison between trade sectors and between wage steps and levels, and various types of labor and labor conditions; carry out a system of compensation and priority for laborers engaged in heavy and dangerous work, laborers with long seniority, laborers working in distant and remote areas, laborers in essential heavy industrial sectors, etc., and assure the unity of the salary system throughout the country.

Concerning the labor problem, the new mechanism expands the powers and responsibilities of the director in recruiting and training the workers and public servants in the enterprise and in arranging and controlling their jobs in accordance with state laws. Recruiting for a fixed table of organization must be limited and the form of working in accordance with a contract must be expanded for common labor and labor of a seasonal nature.

Enterprise profits distribution:

The setting of norm profits like the current profit distribution system still has many weaknesses which must be overcome. The future course of correction will be to allow the enterprise a higher percentage of norm profits than at the present time, creating conditions for the enterprise to achieve the principle of financial autonomy, especially in taking responsibility for production investment and expansion, supplementing circulating capital, etc. The state will experiment in the application of production capital taxes for the enterprise in order to raise responsibility and effectiveness in capital use. At the same time, the system of profit distribution must be corrected to assure the interests of the state (in the central and local area) and those of the enterprise and the laborer.

The specific stipulation of profit percentages for deposit in the fiscal budget and those left for the enterprise will be calculated in accordance with the sector, the type of product and enterprise groups with different profit levels.

To assure the dynamism of the enterprise in business and production operations, the state will stipulate a system of financial reserve profits managed by the enterprise federation or ministry; provide for a fund director to support the business trade, advertisement and impromptu award operations of the enterprise, etc.

Specific shares for the various enterprise funds will be decided after discussions between the enterprise director and the trade union. The state does not limit the production development fund and only sets a minimum level on the welfare fund; and does not set a maximum level on the awards fund but when this fund exceeds the stipulated level, deductions must be in accordance with the percentage of capital accumulation deposited in the state fiscal budget.

Export production encouragement policy.

The expansion of economic relations with foreign countries, primarily socialist countries, aimed at participating in international labor division, effective exploitation of strengths in the export field, and regular contact to most favorably apply the scientific and technical advances of the world must become an important strategy of the entire nation. In industrial production, priority in material, technical, cadre, etc. conditions must be given primary level units specializing in the production of export goods, allowing each sector, each enterprise and each laborer to actively and positively participate indirectly or directly in export support production.

Management improvement this time must cause the primary level production and business units to recognize exports as a vital mission; while on the other hand, causing enterprises to recognize the benefits in export production. Conditions must be created for the enterprises to conduct export goods production with a relationship more directly and closely related to the foreign market in order to more actively and boldly respond as well as be directly responsible to the customer for product quality, shipping and receiving deadlines, etc.

The state will have supplementary stipulations for the enterprise federations and enterprises producing export goods to enjoy "the right to use foreign exchange" in accordance with a rational percentage and to have their own foreign exchange funds to support the development of export goods. At the same time, the redistribution of "foreign exchange use rights" as well as incentive profit portions to units participating in the process to form export goods will be stipulated.

If export products or products replacing materials which have long had to be imported are of the stipulated quality, incentives will also be given in profits or higher prices.

With a general policy line of concentrating export and import operations directly in accordance with economic and technical sectors, the state will stipulate that the enterprise federations and independent enterprises be larger in size, specialize in the production of export goods in large volumes, have stable plans and be able to trade directly with the foreign market, and be able to have their own separate organization specializing in direct import and export operations under the united management of a foreign trade agency in the goods, prices and market aspects.

The state will permit enterprises with sufficient conditions to coordinate production and business with foreign corporations in order to develop export production. The expansion of international trade and cooperation forms such as scientific and technical cooperation, economic cooperation, business and trade cooperation, international credit loans, etc. will be encouraged on a basis in accordance with state laws.

Policies for encouraging scientific and technical research and application.

Science and technology at the present time are increasingly invading production and management activities and are becoming a direct production force for creating the assets of society, causing changes in raw material and supply trades and creating great leaps forward in management methods.

Our country has abundant ranks of scientific and technical cadres and skilled workers with fairly high standards and good qualities. However, we have not yet properly or satisfactorily evaluated this precious asset and have not yet developed or encouraged it to competently serve production, management and life.

The future management improvement course must be aimed at developing the collective ownership spirit and composite strength of the scientific and technical cadre forces to competently support national industrialization. Science and technology must become a structure component closely connected with production and management oriented toward final economic results and effectiveness. To accomplish this task, the scientific and technical revolution must truly become an undertaking of the laboring masses. In each enterprise, shop, team, and production unit, conservation, technical improvement and production rationalization must be regular methods for raising production effectiveness and increasing the income of the laborer.

The state will stipulate specific material incentive methods for collectives and individuals participating in technical improvement and application of inventions to production in accordance with the percentage of effectiveness returned by the project.

In the organization aspect, the applied research institutes and centers will gradually be shifted to enterprise federations, joint enterprises, science-production federations, etc. in order to closely connect research with production and economic accounting and to swiftly apply scientific and technical advances to industry.

Activities concerning scientific and technical information must be further developed with dissemination and propogandization of advanced models and good experience; research in the application of inventive and copyrighted trade policies, etc. between economic units and with design and research agencies in order to establish an economic accounting and socialist cooperative relationship.

Better organization of the material supply and management system is a critical problem in production and business operations.

The new management mechanism demands gradual abolishment of the subsidized form of supply and a shift to planned material business. The achievement of coordinated and organized supply by sector and territory in a rational manner with advancement toward assuring the "five rights" system (quantity, quality, price, location and time); reduction of transportation and freight handling expenses, reduction of deficits and losses and halting bribery will create favorable conditions for the laborer.

Consistent with the new planning mechanism, besides the portion of materials supplied in accordance with the plan, there is also a portion used in things such as important economic lever methods aimed at guiding the production and business operations of the enterprise precisely in accordance with the course objective of the state. This materials portion is handled by business in accordance with a price which differentiates between each production objective and type of product.

The enlargement of material sources and resolution of stagnate, poor quality, etc. materials are urgent problems demanding the synchronized policies of financial management, price, fiscal and material agencies under the guidance of the State Planning Commission.

The material supply system must also be studied for reorganization into a continuous material supply and management network to best answer the requirements of industrial production.

Conservation policy.

To our nation, a poor country engaged in construction of a material base for socialism, conservation must become an important state policy.

The new management mechanism resists subsidization and waste and demands that each primary level unit and laborer strive for diligence and thrift in production, distribution and circulation as well as everyday life. Only by knowing how to practice better conservation will we have additional energy and raw materials for producing additional products for society and additional income for the enterprise and the laborer.

The state, in conjunction with sectors and echelons, will continue to launch conservation campaigns and to present policies for appropriate incentives to collectives and individuals with accomplishments, and to stipulate awards to enterprises with material attrition below conservation value norms; and to stipulate awards for enterprises saving a portion of their wage funds thanks to the reduction of labor expenditures by methods of production rationalization, scientific labor organization, indirect processing reduction, etc. while still completing the plan.

Accompanying material incentive system expansion is strengthening methods of strict fines in those cases in which enterprises use energy, raw materials and supplies in excess of stipulated levels or incur waste and losses due to a lack of responsibility; at the same time, units must be fined that do not supply energy and raw materials in accordance with the plan or contract and thereby cause damage to products and adversely affect enterprise production.

Product distribution, consumption policy.

Firmly controlling commodities and products through rational and firm organization of material and commodity distribution and circulation is to decisively contribute to market control and resistance to speculation and the destructive activities of the enemy.

Management improvement this time demands that sectors, local areas and primary level units have a firm grasp of the principle of concentrating products in the hands of the state for state-operated commerce or for consumers to receive directly from the enterprise according to plan.

To assure that commodities are rapidly circulated, organization must be in accordance with the principle of assigning goods directly to the consumer and reducing intermediate connections, especially for the fresh products which spoil quickly and are difficult to store. A system of material fines is enforced for cases in which enterprise production is adversely affected due to violations of product consumption contracts causing stagnation and warehouse detention.

If the assigned consumption organization does not accept products precisely in accordance with the contract and the state plan, the enterprise, following economic arbitration decisions, has the right to distribute the products to other agencies and enterprises.

The state allows enterprises to use part of their products to exchange for raw materials used in production support but in accordance with the plan. In urgent cases, permission must be obtained from the direct management level and the plan must be supplemented.

Aimed at closely connecting production with the needs of the consumer, the state will stipulate permission for enterprise federations and large enterprises to open stores for the introductory sale of new products, or to conduct trade in the products produced by the enterprise federation or enterprise in cities or large population centers.

Strengthening small industry and handicraft management.

Small industry and handicraft production in our country at the present time has an extremely important position in the creation of products for society. Primary level small industry and handicraft production units are presently organized under many rich forms: specialized small industry and handicraft cooperatives; small industry and handicraft collectives; agricultural, forestry and fishing cooperatives with many trade sectors, including small industry and handicraft production; individual households engaged in small industry and handicraft production; and families conducting supplementary small industry and handicraft production.

Therefore, the future management improvement course must be aimed at better exploiting the contributions of these abundant production forces, swiftly promoting production management reformation, increasing the amount of technical equipment and raising the technical and management standards of small industry and handicrafts.

The state manages primary level small industry and handicraft units through guidance in projects, planning, economic policies, economic contracts, administrative management methods and education in order to assist them in entering the general plan of the economic and technical sector and to produce goods and achieve trades suitable to requirements following the overall arrangement of the state.

The state encourages every laborer engaged in small industry and handicrafts to enter collective work in accordance with top to bottom cooperative organization forms and the principle of "Voluntary, democratic and joint benefit"; and has policies of preferential treatment for collective economic units over private operations and individuals.

In the near future, the Council of Ministers will join sectors, local areas and small industry and handicraft cooperative federations at all levels in issuing specific policies dealing with small industry and handicraft production forces.

Streamlining Management Apparatus, Strengthening Elementary and Advanced Training for Management Cadres, Technical Cadres and Skilled Workers.

1. Streamlining the management apparatus.

This plenum of the Party Central Committee emphasized the mission of perfecting the management organization system of all echelons as a foremost mission in management improvement.

Simplifying the management apparatus, reducing connections and intermediaries, raising the management capabilities and supervisory effectiveness of management

agencies and cadres at all levels, clearly defining the missions, functions and powers of management echelons, avoiding duplication and top-heaviness, etc. are the basic objectives of management organization improvement.

During the past few years, industry in our country has shifted to models of two-level and three-level management: Ministry--Enterprise or Ministry--Enterprise Federation--Enterprise. In the near future, this principle must be thoroughly implemented in all sectors and echelons.

Each ministry and general department must clearly define achievement of its own proper function and mission without plunging into intervention with the administrative and operational activities of the primary level units, not only causing the primary level units a loss in collective ownership rights but also creating conditions for the primary level units to rely on upper echelons.

The state will reexamine and further supplement the operating statutes of the enterprise, enterprise federation, joint enterprise and production-science federation. On this basis, the general department and provincial and municipal people's committees further streamline the organization of units consistent with the new management mechanism.

The management function of provincial, municipal and special zone industrial services as well as that of the small industry and handicraft cooperative federation will be clearly and specifically restipulated.

To assure an orderly and positive management apparatus, simplification of the indirect management table of organization throughout the industrial sector must be promoted. The primary course is to place excess cadres in direct production or service work. The number of capable cadres for primary level units must be increased and primary level units must be strengthened in every aspect.

2. Improve work systems and styles; strengthen and raise the quality of elementary and advanced training for management cadres, technical cadres and skilled workers.

Management improvement must accompany strengthening of discipline and the socialist legal system in management, resisting every bureaucratic expression, abuse of power and corruption in the management apparatus.

Ministries, general departments and provincial and municipal people's committees must supplement or newly formulate work statutes and regulations for themselves and the services of their sector in the provinces and districts, creating new changes in the work system and competently serving the production and business operations of the primary level unit.

Management discipline must be further upheld, especially the system of issuing and achieving decisions and the system of statistics reporting and periodic production situation reporting by all sectors and echelons. Cases of incorrect and untruthful reporting must be handled severely.

Management improvement this time demands thorough compliance with the leader system in state management as well as business management agencies following a

course of clearly defining the responsibilities and powers of the minister and the enterprise director; while simultaneously strengthening the collective leadership role by consolidating the ministry councils in ministries and agencies of ministry level, and establishing enterprise councils alongside enterprise directors to assist the directors in issuing major policy positions aimed at resolving economic and technical, cadre, etc. problems.

In cadre work, each ministry, sector and enterprise must fully substantiate the standards and functions of management cadres, technical cadres, etc. within their own sector and unit. Reserve cadre planning and preparation must be well done. The stipulation of cadre selection regulations must have a scientific basis; on that basis, arranging and supplementing the ranks of key cadres in state management agencies and production and business units.

Outstanding cadres must be chosen to serve as the directors of enterprise federations, joint enterprises, enterprises and important corporations. Units with many female laborers must absolutely have a female cadre participating in the leadership; with simultaneous policies of adequate compensation for these cadres.

Strengthen and raise the quality of advanced management and economic cadre training, especially for key cadres in the primary level unit. Specialized elementary and advanced training classes must be organized for general directors, directors and chief accountants of enterprise federations, joint federations and large enterprises.

Elementary training classes must be systematically organized: regular elementary training following the college system, advanced training in primary level management knowledge of from 1 to 2 years, and further advanced training of from 3 to 6 months; and short-term training in cases of management method renewal.

Cadres managing the promotion field or replacement of the work environment must receive thorough advanced training. All in-office enterprise leadership cadres must receive successive advanced training in economic management knowledge in short-term classes at least once every 3 to 5 years.

Scientific and technical cadres must receive regular advanced training in new knowledge concerning scientific and technical advances in the sector.

Organize the elementary training of practicing engineers from workers selected through production in accordance with the formula of simultaneous study and work in advanced technical schools.

Coordinate the elementary training of technical workers in regular schools with that following a style of sidesaddle work, advanced training and skill improvement in the primary level production unit.

Supplement the policies of compensation for outstanding technical cadres, skilled and senior workers and female cadres.

Ministries and general departments managing specialized sectors must bear the responsibility for providing elementary and advanced training to the technical cadres of primary level small industry and handicraft production units.

Elementary and advanced training of cooperative management cadres is the responsibility of provincial, municipal, precinct, district and town people's committees.

Cooperative technicians will receive elementary and advanced training from state-operated enterprises or technical worker schools through bilateral agreements between the two parties.

This plenum of the Party Central Committee concentrated discussions and decisions on the important problems of production rearrangement and the economic management mechanism in general and on industry in particular. The plenum reached an agreement on the course and methods for renewing the economic management mechanism at the present time. These are new and extremely difficult problems to us. Making the ideology and viewpoint of this plenum of the Party Central Committee become living reality and creating active and strong changes in the present socio-economic situation demands the high and united efforts of the entire party and people during the supervision and achievement process.

All party committee echelons must propagandize, teach and instill a full understanding in the spirit and theme of the Sixth Resolution of the Party Central Committee among all cadres, party members and the masses; uphold a leadership role in the process of organizing resolution achievement; and join administrative and mass organizations in highly developing the spirit of collective ownership, launching deeply patriotic emulation movements, mobilizing the masses in successful resolution achievement, and giving attention to the inspection and correction of deviations in the resolution achievement process.

Administrative agencies in all sectors, echelons and primary level units must have specific action programs and plans consistent with their own functions, missions and characteristics aimed at rapidly developing and well-achieving the resolution; and organize inspection, investigation, preliminary summarization and summarization to evaluate the resolution achievement results, promptly acquire methods for their own unit and simultaneously present proposals to the Party Central Committee and the Council of Ministers with the purpose of unceasingly strengthening and perfecting the economic management mechanism in our country.

We are confident that the Resolution of the Sixth Plenum of the Party Central Committee will create a strong change throughout the party and laboring people of the entire country and certainly will bring new advancements in economic management, more strongly stimulate production development, and create the conditions necessary for stabilizing and gradually improving the lives of the people and well-achieving the economic and social objectives put forth by the Fifth Party Congress.